

# 1Spatial

Contract win

## 1Spatial wins strategic UK government contract

Software & comp services

1Spatial announced the signing of a new multi-year contract with Atkins to support delivery of the National Underground Asset Register (NUAR) project, with a total potential value of £6.5m over 37 months. The win followed a competitive tender process, and as a key supplier to the UK government's Geospatial Commission, 1Spatial will be leading the development of the project's multi-year data transformation and data ingestion programme. We make a slight upgrade to our FY22 and FY23 forecasts to reflect the £0.5m committed portion, while if all goes to plan, the £6.0m optional component would fall in future years. We are encouraged by 1Spatial's continued contract momentum and see scope for an acceleration given current execution and structural trends.

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	1.6	38.3	66.0
01/21	24.6	3.6	0.4	0.2	1.6	86.8	217.6
01/22e	25.8	3.8	0.6	0.3	1.5	61.1	120.8
01/23e	27.5	4.3	1.1	0.6	1.4	36.2	60.9

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

## Multi-year contract with Atkins to support NUAR

The latest phase of the government's [NUAR](#) project involves building a digital map of the UK's underground pipes and cables. 1Spatial will lead the development of the multi-year data transformation and data ingestion programme for Atkins. This platform will utilise 1Spatial's patented 1Integrate and 1Data Gateway software to assist in uploading and transforming the asset data from many providers.

## Contract adds £0.5m revenue over FY22 and FY23

1Spatial's portion of the project is slated for a three-year period, with an initial commitment for seven months and c £0.5m revenue. The initial stage is then followed by two option periods spanning 30 months for c £6.0m in spatial technology licences and services. We are adding £0.2m to FY22's top line and c £0.3m to FY23 to reflect the committed portion of the deal.

## Valuation: Scope for further upside

Trading at 38.5p (10 September closing price), 1Spatial's share price is up 35% in the year-to-date. The FY22e P/E of 121x reflects modest margins at present while the company's EV/sales at below 2x is well below most software and services companies. We see scope for growth to accelerate and margins to expand, driving further upside in the share price.

13 September 2021

**Price** 38.5p  
**Market cap** £43m

Net debt (£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.

### Next events

H122 results 29 September 2021

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## Encouraging win leads to updated forecasts

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The NUAR digital mapping project for the UK's underground pipes and cables forms part of the UK government's 'Build back better and greener' initiative. The project is designed to assist in speeding up the delivery of housing and infrastructure projects and enabling critical and local services to be more efficiently maintained and delivered to customers. Atkins, a subsidiary of SNC Lavalin (SNC, TSX), is a global design, engineering and project management consultancy and is the prime contractor for the NUAR project. 1Spatial will be leading the development of the 'data transformation and data ingestion platform that will allow many hundreds of Asset Owners to upload and automatically transform their underground asset datasets from their source representation to a target data model.'

The Atkins win is encouraging for 1Spatial, as it supports recent contract momentum in the UK ([Defra, National Energy System Map](#)) and the US ('Next generation 911' win, an extension with the US Federal Highways Administration, and contracts with [Google](#) and the [California Office of Emergency Services](#)).

## Forecasts updated for committed portion of contract

We make a slight tweak to our forecasts for the committed £0.5m, now assuming revenues of £25.8m in FY22 and £27.5m in FY23. The remaining £6.0m from the contract is optional and while we did not add it to our forecasts, if exercised, it would materially benefit future years.

## Valuation: Further contract wins should drive upside

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At 38.5p (10 September closing price), 1Spatial is up 35% year-to-date and 29% over the last 12 months. 1Spatial's FY22e P/E multiple of 121x and FY23e P/E multiple of 61x reflect modest margins, while the sub 2x EV/sales is well below most software and services companies. We see scope for revenue growth to accelerate and margins to expand driving further upside in the share price. Further contract wins in the UK and United States and continued execution should justify multiple expansion. 1Spatial will report interim results for H122 (the six months ending 31 July 2021) on 29 September 2021.

**Exhibit 1: Financial summary**

	£'000s	2018	2019e	2020	2021	2022e	2023e
Year end 31 January		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>							
Revenue		16,938	17,624	23,385	24,600	25,844	27,482
Delivery costs		(7,994)	(8,449)	(11,123)	(11,451)	(11,888)	(12,367)
Gross Profit		8,944	9,175	12,262	13,149	13,955	15,115
Adjusted EBITDA		403	1,188	3,226	3,637	3,840	4,315
Operating Profit (before amort. and except.)		(967)	(306)	1,000	441	641	1,056
Acquired Intangible Amortisation		(335)	(432)	(972)	(917)	(950)	(1,000)
Exceptionals		(1,041)	(672)	(1,167)	(497)	0	0
Share based payments		538	(218)	(398)	(272)	(360)	(360)
Operating Profit		(1,805)	(1,628)	(1,537)	(1,245)	(684)	(304)
Net Interest		(151)	(191)	(195)	(187)	(170)	(151)
Other		0	0	0	0	0	0
Profit Before Tax (norm)		(1,118)	(497)	804	253	455	904
Profit Before Tax (FRS 3)		(1,956)	(1,819)	(1,733)	(1,433)	(855)	(456)
Tax		753	389	248	308	20	20
Profit After Tax (norm)		(1,118)	(497)	643	202	364	723
Profit After Tax (FRS 3)		(1,203)	(1,430)	(1,485)	(1,125)	(835)	(436)
Average Number of Shares Outstanding (m)		63.3	87.4	110.2	114.4	114.4	114.4
EPS - normalised (p)		(1.77)	(0.57)	0.58	0.18	0.32	0.63
EPS - normalised fully diluted (p)		(1.77)	(0.57)	0.58	0.18	0.32	0.63
EPS - (IFRS) (p)		(1.90)	(1.64)	(1.35)	(0.98)	(0.73)	(0.38)
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		52.8	52.1	52.4	53.5	54.0	55.0
EBITDA Margin (%)		2.4	6.7	13.8	14.8	14.9	15.7
Operating Margin (before GW and except.) (%)		(5.7)	(1.7)	4.3	1.8	2.5	3.8
<b>BALANCE SHEET</b>							
Fixed Assets		10,873	10,479	19,206	18,273	18,578	18,978
Intangible Assets		10,540	10,194	15,560	15,187	15,492	15,892
Tangible Assets		333	285	374	392	392	392
Investments		0	0	3,272	2,694	2,694	2,694
Current Assets		7,050	11,481	14,985	18,332	19,088	20,244
Stocks		0	0	0	0	0	0
Debtors		5,510	4,998	9,644	10,890	10,020	9,880
Cash		1,319	6,358	5,108	7,278	8,760	10,364
Other		221	125	233	164	308	0
Current Liabilities		(10,234)	(8,578)	(12,844)	(14,813)	(15,227)	(15,615)
Creditors & other		(9,183)	(8,578)	(12,709)	(14,343)	(14,757)	(15,145)
Short term borrowings		(1,051)	0	(135)	(470)	(470)	(470)
Long Term Liabilities		(899)	(192)	(5,892)	(7,057)	(8,539)	(10,143)
Long term borrowings		0	0	(1,086)	(2,542)	(2,542)	(2,542)
Other long term liabilities		(899)	(192)	(4,806)	(4,515)	(5,997)	(7,601)
Net Assets		6,790	13,190	15,455	14,735	13,900	13,464
<b>CASH FLOW</b>							
Operating Cash Flow		245	(749)	572	3,983	5,142	5,355
Net Interest		(167)	(175)	(144)	(179)	(170)	(151)
Tax		751	410	313	484	20	20
Capex		(1,035)	(1,394)	(2,320)	(2,312)	(2,410)	(2,520)
Acquisitions/disposals		115	0	(2,151)	(585)	0	0
Financing		0	7,996	2,805	0	0	0
Dividends		0	0	0	0	0	0
Other		0	0	(254)	(1,069)	(1,100)	(1,100)
Net Cash Flow		(91)	6,088	(1,179)	322	1,482	1,604
Opening net debt/(cash)		(604)	(268)	(6,358)	(3,886)	(4,266)	(5,748)
HP finance leases initiated		0	0	(1,221)	0	0	0
Other		(245)	2	(72)	58	0	0
Closing net debt/(cash)		(268)	(6,358)	(3,886)	(4,266)	(5,748)	(7,352)

Source: Company accounts, Edison Investment Research

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