EDISON

MotorK

FY22 trading update

Promising signs for 2023

Software and comp services

For FY22, MotorK reported a record Q4, driven by its focus on higher-value enterprise contracts, the launch of its SparK platform and the continued migration of acquired companies onto the platform. Annualised recurring revenue (ARR), management's main metric for tracking performance, was €26.9m, falling short of our €28m forecast and management's guided range of €28–30m. FY23 and beyond looks set to benefit from a large pipeline of contract opportunities, with €5.2m of additional ARR committed as at 31 December 2022. Growth should be supported by maintaining low customer churn and high net revenue retention.

Year end	Revenue (€m)	ARR* (€m)	PBT** (€m)	Diluted EPS** (€)	DPS (€)	EV/Sales (x)	EV/EBITDA (x)
12/20	19.3	10.0	(6.1)	(0.19)	0.00	1.4	N/A
12/21	27.6	15.1	(8.2)	(0.37)	0.00	1.0	31.5
12/22e	44.1	28.0	(0.2)	(0.00)	0.00	0.6	4.7
12/23e	60.9	38.3	3.8	0.07	0.00	0.4	2.4

Note: *Annualised recurring revenue. **PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

FY22 ARR of €26.9m, including €9.7m from M&A, was up 40% organically y-o-y and up 78% y-o-y including M&A but fell short of management's guided range of €28–30m and our €28m forecast. Q422 ARR increased by €5.1m/25% q-o-q. The company closed FY22 with an additional €5.2m of committed ARR: this is ARR from contracts that have been signed but not yet implemented and billed. It includes contractual price increases and enterprise deals and covers half of the ARR growth we have factored in for FY23.

MotorK reported revenue of €13.6m for Q422 (+103% y-o-y) and €38.5m for FY22 (+40% y-o-y, Edison forecast €44.1m), or €40.6m pro-forma, which includes a full year contribution from acquired companies. As per our initiation, we believe ARR is a more accurate metric to track the company's performance, as IFRS15 accounting can cause significant volatility of reported revenue.

FY22 average contract value (ACV), a driver of ARR, was €17.8k (+19% y-o-y), reflecting growth in customer multi-product adoption helped by new product launches. Customer churn reduced in the year by 2pp to 4.5% and the net revenue retention rate, which includes up-sells, customer churn and price increases, grew by 17pp to 122%, showing that management is delivering on its land and expand strategy. The move from a multi-product strategy to a single SparK platform in Q422, as well as continued new product launches, should further improve ACV growth by making it easier to cross- and up-sell to customers. Additionally, now that most of the investment in its platform is complete, MotorK enters FY23 with the opportunity to build on profitability through stronger operating leverage.

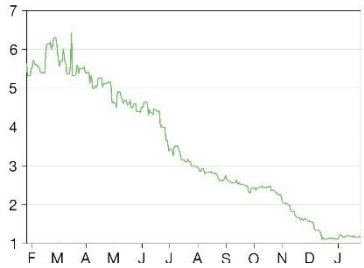
Although no balance sheet figures were given in the trading update, we believe its net cash position would have been bolstered by the sale of its B2C DriveK, which had a net book value of €3m at H122.

We plan to update our forecasts following FY22 results on 23 February.

26 January 2023

Price	**€1.16**
Market cap	**€47m**
Net cash (€m) at end H122	20.8
Shares in issue	40.6m
Free float	26.3%
Code	MTRK
Primary exchange	Euronext Amsterdam
Secondary exchange	N/A

Share price performance



Business description

MotorK is a European SaaS provider operating in the automotive retail industry, selling mainly in the EU5 but with a global presence. Its cloud-based platform, SparK, offers OEMs and dealers a suite of digital tools to support the vehicle lifecycle end-to-end.

Analysts

Katherine Thompson +44 (0)20 3077 5730

Max Hayes +44 (0)20 3077 5721

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