

# mVISE

## Resilience and product growth?

In Resilient in the downturn we highlighted how a strong showing from mVISE's services business (+6% y-o-y) saw it deliver growth, margin uplift and cash flow in H1 despite the COVID-19 pandemic. However, this was partially offset by another shortfall in product sales, which were affected. Nevertheless, mVISE remains confident about its longer-term prospects here. This appears to be shared by the market; consensus sees sales growth accelerating to 15% in FY21 and the rating (c 18x FY21 EV/EBIT) stands at a premium to a pure-play service company.

### Resilient services business

The strong performance of the service business (97% of revenues) in Q1 (see Resuming its product-driven growth strategy?) continued into Q2 despite COVID-19. Longstanding client relationships and 60–70% exposure to telecom and utility sectors, which are experiencing minimal disruption, helped maintain activity levels. In a typically seasonally weaker period, this resumption in growth helped fuel a H120 expansion in EBITDA to €0.3m (a 3.1% margin) and free cash flow of €1.5m.

### Products struggled again

Product sales, the expected driver of both growth and higher margins in the long term, were weak again (down 39% y-o-y to just €0.3m). While management states the elastic.io pipeline is at a record level and it has just closed an important deal, SaleSphere, which provides a sales platform to in-store and travelling sales teams, was particularly heavily hit by lockdown restrictions. Reflecting the wider economic uncertainty and last year's miss, management acknowledges that predicting the timing of deal closure is difficult and it has withdrawn guidance. Consensus has lowered FY20 expectations for product revenues to just €0.9m. Implying just €0.6m in H2, this figure looks beatable. However, FY21 estimates imply total sales growth of 15%, a re-acceleration that appears to be largely driven by products.

### Valuation: Product catalyst needed

mVISE's share price lost a quarter of its value between May and September while consensus FY21 EPS halved. The price of €2.09 implies a consensus FY21 EV/EBIT multiple of 18x, a c 50% premium to the average of its nearest IT services peers. This rating appears based on growth in its high-margin product sales (software companies can command EV/EBIT multiples above 20x). A product-driven beat of consensus forecasts in H220 could significantly bolster conviction in longer-term prospects in our view, justifying both FY21 forecasts and the rating.

#### Edison estimates

Year end	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (€)	EV/EBITDA (x)	P/E (x)	Yield (%)
12/18	22.5	2.5	1.3	0.11	10.9	20.6	19.0
12/19	21.5	1.4	0.1	(0.03)	19.5	269.8	N/A
12/20e	21.8	2.7	1.5	0.11	10.0	18.0	19.0
12/21e	25.1	3.0	1.5	0.12	9.0	18.0	17.4

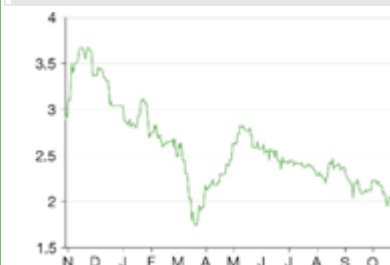
Source: : Company data, Refinitiv (based on one estimate)

#### Software & comp services

29 October 2020

**Price** €2.09m  
**Market cap** €19m

#### Share price graph



#### Share details

Code C1VX  
Shares in issue 8.9m  
Net debt/(cash) at <insert> €8.3m

#### Business description

mVISE's core competencies are IT infrastructures and integration, combined with data management and analytics. With over 160 FTE staff, mVISE supports digitisation projects and offers cloud products such as the integration platforms as a service elastic.io and SaleSphere.

#### Bull

- mVISE is well placed to benefit from the digital revolution with its orientation to the Internet of Things, digitalisation, integration, data science and security.
- The new strategy is growing margins via increased high-margin product sales and staff efficiency.
- Recent acquisitions, particularly elastic.io, have boosted the group's product offerings, supporting margin and earnings prospects.

#### Bear

- Project-based consulting business faces risk of low utilisation in the pandemic.
- Own-developed software products (elastic.io and SaleSphere) have not achieved expectations.
- Net debt is €8.3m, 31% of EV.

#### Analyst

Dan Gardiner +44 (0)20 3077 5700  
[tech@edisongroup.com](mailto:tech@edisongroup.com)

**EDISON QUICKVIEWS ARE NORMALLY ONE-OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.**

---

## General disclaimer and copyright

This report has been prepared and issued by Edison as part of a roadshow package for companies attending the Deutsches Eigenkapitalforum. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2020 Edison Investment Research Limited (Edison).

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.