SmartSpace takes aim at Far East

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AIM-listed workspace management software provider SmartSpace has reported half-year revenues (ending July 2022) in-line with its August trading update (revenue up 45% to £3.7m and ARR up 32% to £5.2m) and revealed a reduction in adjusted EBITDA losses (from £1.6m to £0.5m) and cash consumption. The performance was underpinned by progress across all three of its product lines, although SwipedOn continues to be the standout performer, led by the expansion of its higher-value accounts and international expansion. Notably, SmartSpace is taking aim at further countries in the Far East (including China) after internationalising SwipedOn and launching into Korea over the summer. Trading momentum has carried into the second half and is tracking in-line with market expectations (consensus estimates are for revenues of £6.8m (+31%) and adjusted EBITDA losses of £1.5m (-39%)). We managed a quick call with CEO Frank Beechinor.

Workspace management software

SmartSpace Software provides workspace management software to the commercial workplace, retail and hospitality real estate sectors. The group's suite includes solutions focused on optimising desk space, meeting room bookings, and visitor management to buildings and car parks, as well as workspace-related hardware such as meeting room displays and sensors (through its Anders & Kern brand).

SmartSpace was formerly known as RedstoneConnect (and before that Coms plc), having rebranded in August 2018 following the divestment of its cabling and managed services arms to Excel IT for £21.6m in May 2018. In October 2018, SmartSpace acquired New Zealand-based visitor management software provider SwipedOn, for NZ$11.0m (£5.5m) and, in October 2019, purchased Australia-based peer Space Connect for AU$6.0m (£3.2m).

SwipedOn-led growth & reduced losses

SmartSpace's half-year revenues ending July 2022 grew 45% to £3.7m, including recurring revenue up 49% to £2.4m, while ARR grew 32% to £5.2m. Trading was supported by continued strong growth from SwipedOn, led by expanding its higher value accounts (such as Thermo Fisher, now live in 16 locations) and its international expansion (launching a localised version in South Korea in the period). In addition, Space Connect trading improved as Evoko Naso sales and billings ramped up following a slower-than-expected start to the period, and Anders + Kern returned to growth as COVID-related headwinds no longer weighed on sales cycles.

In terms of divisional breakdowns, SwipedOn revenue grew 48% to £2.1m and ARR grew 35% to £4.5m, with average revenue per user (ARPU) up 44% to £84 and SwipedOn locations up 7.2% to 7,506. Space Connect revenue doubled to £0.3m and ARR grew 35%

to £0.6m, with the number of customers jumping from 41 to 73, while Anders + Kern revenue grew 36% to £1.3m.

Back at the group level, adjusted EBITDA losses were reduced from £1.6m to £0.5m, supported by the improved profitability across all three product lines. Operating cash outflows reduced to £0.2m, supported by the reduced trading losses and favourable working capital movements, while other outgoings included capex of £0.2m. As a result, SmartSpace's period-end net cash fell from £2.4m to £2.0m (excluding lease liabilities of £0.1m).

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The positive trading momentum has carried into the second half of the year, with SmartSpace confident on meeting market expectations for the full year, underlined by its ARR progress (reaching £5.65m at the end of September 2022) and supported by its transition to becoming cash flow breakeven by the end of the year. For the record, full year consensus estimates are for revenues of £6.8m (+31%) and adjusted EBITDA losses of £1.5m (-39%).

On a call, CEO Frank Beechinor reaffirmed SmartSpace's growth strategy. For SwipedOn, this is led by its international expansion, having developed an international version over the summer. In addition to its launch in Korea, the group plans to enter China and one other Far East country, led by its marketing efforts. For Space Connect, the focus continues to be on strengthening its partnerships (given it's channel only) primarily in the UK, including with the likes of Softcat. Also, SmartSpace is converging its development teams for SwipedOn and Space Connect to create one stack for both products (expected completion is in its next financial year).

Meanwhile, Anders + Kern remains non-core and SmartSpace's ability to dispose of the product will be helped by its improved trading and shift from being cash-consumptive to cash breakeven.

Megabuyte view

SmartSpace's whole portfolio is now making progress, reflecting the easing of pandemic headwinds, return to normal working capacity and increased technology requirements surrounding the shift to more hybrid working models and, importantly, this is feeding into reduced losses and cash burn. While the progress by Space Connect is certainly encouraging, it is still a small part of the overall pie and the group's growth outlook is dominated by SwipedOn and its overseas expansion. This certainly doesn't come without heightened competition from much larger players such as Eptura (which was formed from last week's merger of Condeco and iOffice + SpaceIQ), although its focus on the Far East should ease these pressures, given many peers are heavily focused on North America and Europe.