

Company News

- SmartSpace Software plc | Major customer win

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SMRT- AIM 154p | Buy | Target Price: 220p

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Announces that SwipedOn, the group's 100% SaaS visitor management platform, has secured its first large multi-location single-contract deal with Gategroup for a 150 site solution, potentially rising to 200 sites across the UK, Europe and Australasia. As per the SwipedOn model, deployment is immediate and we estimate the contract could initially be worth £170k-£190k p.a. in ARR. We believe this is a strategically important contract as it fits the brief to target large centralised deals with higher value mid-market customers where there is potential for cross-sell and multiple location sales, while revenues tend to be stickier and customers less price sensitive. Our 220p target price is based on a FYJan23E EV/Sales of 5.4x which is in line with the blended average (CY21E/22E) across our UK software peer group. We believe the current share price offers an attractive opportunity to participate in this high-margin, high-double-digit growth story with SMRT trading on an EV/Sales of 3.6x (FYJan23E).

UK & European Research

18 June 2021

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Investment Recommendation

Date and time of first dissemination: June 18, 2021, 02:57 ET

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Target Price / Valuation Methodology:

SmartSpace Software plc - SMRT

Given the shape of revenue and margin mix that is expected to flow from SaaS within our forecasts we believe FY22E and FY23E are the most relevant proxies on which to base valuation, given they fully capture the expected growth from both SwipedOn and Space Connect. Applying the blended average (CY21E/CY22E) EV/Sales multiple from our UK peer group (5.5x) to our FYJan23E SmartSpace forecast suggests a valuation of 220p/share, at which we set our price target. In addition, we see support from our DCF analysis (227p/share) and recent M&A.

Risks to achieving Target Price / Valuation:

SmartSpace Software plc - SMRT

- The early stage of the transition to a SaaS-based model brings execution risk.
- A significant part of the growth story is dependent on the success of Evoko Naso. While our forecasts are based on conservative assumptions with regards to unit sales and SaaS participation, we recognise that there is material sensitivity to flexes in the model (to the upside as well as to the downside).
- The Workplace Management Software vertical is a highly competitive growth market in which SmartSpace remains a small participant. Barriers to entry are therefore low and a well-funded competitor may invest in margin to take share.
- The fast pace of technological change means that functionality may quickly become outdated, requiring significant investment in product development.
- A macroeconomic slowdown, or subsequent reintroduction of any lockdown policy in key geographies may slow a return to the workplace, delay corporate investment plans or reduce demand for flexible workspace technologies.
- While many commentators anticipate a hybrid workplace model moving forward, if corporates instead adopt a work-from-home model the potential TAM could decline.
- The group is exposed to NZD (SwipedOn) and EUR (Evoko). While we have adopted FX rates 2-3% ahead of spot, a strong appreciation of GBP could negatively impact revenue and profitability.
- Key person risk, albeit the founders of SwipedOn and Space Connect each hold significant shareholdings and remain as MDs of the respective businesses.

Distribution of Ratings:

Global Stock Ratings (as of 06/18/21)

| Rating | Coverage Universe | | IB Clients |
|-----------------|-------------------|--------|------------|
| | # | % | % |
| Buy | 618 | 64.71% | 41.42% |
| Hold | 167 | 17.49% | 25.15% |
| Sell | 9 | 0.94% | 22.22% |
| Speculative Buy | 149 | 15.60% | 66.44% |
| | 955* | 100.0% | |

*Total includes stocks that are Under Review

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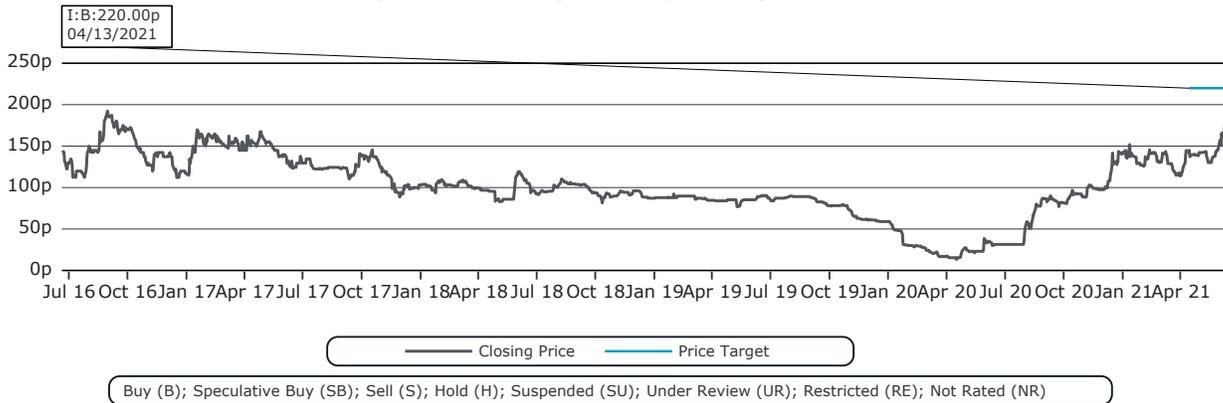
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SmartSpace Software plc Rating History as of 06/17/2021



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