

# SwipedOn remains the star of SmartSpace's show

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AIM-listed workspace management software provider SmartSpace has reported full year revenues (ending January 2022) up 11% to £5.1m and adjusted EBITDA losses up 17% to £2.5m, with the latter marginally shy of its revised guidance in February due to a tweak in its SaaS revenue recognition. The results were driven by SwipedOn (as previously guided) with Space Connect and Anders & Kern still suffering from slow investment decision making (as COVID impacts linger), while SwipedOn and Space Connect have started the current year strongly, supported international expansion, up/cross-selling and price rises. 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) in cash and shares and, in October 2019, purchased Australia-based peer Space Connect for AU\$6.0m (£3.2m).

## SwipedOn leads growth highlights

In the year ending January 2022, revenues grew 11% to £5.1m, marginally below its revised guidance in February 2022 of £5.3m (due to a tweak in its SaaS revenue recognition), within which recurring revenues grew 43% to £3.4m, while ARR grew 64% to £4.9m (in-line). The performance was driven by strong new business momentum and upselling for its SwipedOn product (visitor management system) which gained traction at higher value, multi-location customers and cross-sold new Desk booking capabilities. Also, Space Connect (meeting room and desk booking solution) gained traction as hardware sales of Evoko Naso improved across Europe North America and APAC, although volumes and investment decisions were still subdued due to COVID.

Expanding on its divisional performances, SwipedOn revenue grew 37% to £3.0m and ARR grew 57% to £4.2m, with average revenue per user (ARPU) up 58% to \$154 (£75). SwipedOn locations grew 5.0% to 7,076 locations and net revenue retention jumped from 105% to 130%. Space Connect revenue jumped from £0.2m to £0.5m and ARR jumped

from £0.2m to £0.6m. SmartSpace's non-core Anders & Kern (distribution and technical support product) business also continues to decline, driven by the impact of the UK lockdown during the period.

Adjusted EBITDA losses widened by 17% to £2.5m, driven by higher recruitment, which fed into an operating cash outflow of £1.6m. After further outgoings from capex (£0.4m) and proceeds from the sale of its enterprise business (£0.3m), SmartSpace's period-end net cash fell from £4.1m to £2.4m (excluding of lease liabilities of £0.1m).

### **Overseas growth opportunities**

On the call, CEO Frank Beechinor noted that the key growth drivers for SwipedOn in the current year includes further cross-selling of its newly launched SwipedOn Desks, international expansion (having launched in Korea and is eyeing other countries in the Far East) and pushing through price increases. The growth outlook for SwipedOn is also supported by its product development, with scope to extend the product to managing more workplace functions that require a booking, reservation or allocation on a temporary basis (such as meeting rooms, car parking, EV charging points and bike storage).

Space Connect operates a channel-only model, so the growth outlook is supported by efforts to secure more strategic partnerships where it can bundle its software with other hardware products, particularly in the US and the Far East (with circa 95% of sales currently in the UK).

### **Positive Q1 trading**

Beechinor was upbeat on the outlook following by a positive first quarter of trading (ending April 2023). Group ARR grew 59% to £5.5m, supported by a 62% rise in ARPU to £93 and within which SwipedOn ARR grew 56% to £4.8m and Space Connect ARR grew 156% to £0.6m. For the record, one broker left fiscal 2023 expectations unchanged at revenues of £7.0m (+36%), ARR of £6.5m (+32%) and adjusted EBITDA losses of £1.6m (down from a £2.5m loss).

### **Megabyte view**

The trading dynamics have remain unchanged for SmartSpace as SwipedOn remains the standout performer, given strong hikes in ARPU and new logos, continued overseas success (with early progress in the Far East) and further modules being rolled (expanding its cross-selling potential). In contrast, Space Connect is still slow to get off the ground as markets are yet to fully return to normal working capacity. As such, adding new strategic partners (alongside Evoko) seems key to building more momentum, particularly in new territories. Meanwhile, Anders + Kern remains a non-core hardware asset that we suspect the group will be looking to offload.