

## The GCI Digest

 [BACK TO DIGEST CONTENTS](#)**SMARTSPACE SOFTWARE** Ticker SMRT Sector Software Market cap £25m Share price 87p**BUY**

The supplier of office visitor, meeting room and desk management software has issued a profit warning due to a slower than expected return to normal office working. The shares have halved from their mid-year highs and potentially offer good value on a medium term view. The SwipedOn division continues to perform well and drive strong growth in annual recurring revenue (ARR), up 54% from July last year to the end of September. This product is predominantly sold online and average revenue per user is rising with more multi-site, high value customers. Prices were increased earlier this year and existing customers are being migrated onto the new tariff. A SwipedOn desk management module is

being rolled out and upselling this to larger customers should also have a material impact on revenues.

The main shortfall is in SpaceConnect meeting room software sold through the Evoko relationship. This is bundled with Evoko's new hardware panels and represents 100% gross margin SaaS revenue to SmartSpace when activated by the client. An expected second half pick up in sales is not materialising; probably due to office managers waiting for working patterns to bed down before revamping meeting rooms. Management has been very cautious in assuming current demand levels persist throughout next year, which is substantially lower than Evoko's expectations. Looking cheap on a sub 4x revenue multiple. ■

**TRANSENSE TECHNOLOGIES** Ticker TRT Sector Industrials Market cap £16m Share price 98.5p**BUY**

Transense has been listed since 1999 and finally seems to have found a route to commercial success for its sensing technology. The pivotal change was the sale of its iTrack mining truck tyre sensing business to Bridgestone in return for royalties. Bridgestone is now responsible for all the operating costs with Transense chairman Nigel Rogers retaining a seat on iTrack's board.

Transense receives a monthly royalty per truck and growth will come from Bridgestone converting its legacy system to iTrack, which is similar in size to the existing installed base, and selling the system to the 80% of the market which is unserved. iTrack is part of Bridgestone's strategy to get 20% of its revenues

from services, rather than relying on shifting rubber. The royalty run-rate has doubled in just over a year to £1.2m.

Translogik hand-held tyre probes for fleet operators are benefiting from a new generation product. Distribution is through the tyre OEMs with revenue growing 50% in the latest period. The SAW torque sensing technology generates some revenue from a relationship with McLaren in elite motorsport and there is potential in aerospace and agricultural machinery. Management is evaluating the best option while keeping tight control of costs. Growing royalty revenue means the cash and profit outlook is transformed, with a p/e of 13x and £2m net cash at June 2023. ■

**TRISTEL** Ticker TSTL Sector Healthcare Market cap £236m Share price 500p**HOLD**

The shares have fallen almost 20% over the results period but the stock still retains a nosebleed-inducing p/e of 50x for the current year to June. Revenue for last year was flat due to covid-19 causing the temporary closure of ENT clinics that use Tristel's disinfectants on their instruments. The NHS also stockpiled product at the onset of the pandemic, pulling forward sales which resulted in a 10% UK revenue decline for the latest financial year. Underlying usage figures suggest domestic demand has now returned to its pre-covid-19 levels.

International sales were up 3%. Group revenue growth this year will be held back by the decision to exit non-core product lines which do not use the

company's chlorine dioxide chemistry. This will lop £3m from the top line but have minimal impact on profits given the removal of associated staff and regulatory costs.

The explanation for the super-premium rating on the shares is of course the prospect of US sales once the FDA 'de novo' approval process has been completed. This long-running saga is entering its final stages with a submission expected this financial year followed by a decision within the next 12 months. This means maiden US sales for Duo disinfectant for medical instruments will likely occur in the June 2024 year. Tristel already has approval from the EPA for its surface disinfection product. ■