SmartSpace Software Plc

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megabuyte newswire

From the ashes

In a lively start to the week, our Newswire this morning leads with a review of full year results from AIM-listed workspace management provider **SmartSpace** (COVID-impacted results but positive software momentum, we spoke to management) ….

SmartSpace benefits from return to office preparations

SMARTSPACE SOFTWARE | United Kingdom

Industrials

AIM-listed workspace management software provider SmartSpace has reported full year results ending January 2021 confirming its recent update on revenues, down 8.9% (-11% organic) to £4.6m (driven by COVID-19 driven delays to hardware revenues), while the group reported adjusted EBITDA losses up 27% to £2.1m due to investment. However, exit ARR grew 50% to £3.0m, with its growing recurring software momentum expected to continue through the current year with support from pandemic related restrictions easing and a greater focus on preparing for a return to the office in a COVID-19 secure manner. 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. 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 (approximately £3.2m) or 26x trailing revenues.

Hardware declines mask SaaS momentum

In the year ending January 2021 revenues from continuing operations fell 8.9% / 11% organic to £4.6m. Within this, Hardware revenues fell 42% to £2.0m due to restricted sales volumes during pandemic lockdown measures, which offset a 46% rise in recurring revenues to £2.4m, driven by growth in SwipedOn (including success selling to higher value mid-market customers and after released new COVID-19 functionality). SaaS revenues accounted for 49% of total revenues (up from 26%), while exit ARR grew 50% to £3.0m, within which SwipedOn ARR grew 43% to NZ$5.2m.

Gross margins improved from 41% to 57% due to a higher proportion of SaaS revenues, although adjusted EBITDA losses still expanded by 27% to £2.1m due to investment. Operating cash outflows ran slightly behind EBITDA losses at £1.8m, although this was covered by £4.2m of proceeds from the disposal of its enterprise business and £0.4m of tax income. After outgoings from capex (£0.7m, of which 94% is capitalised development costs), SmartSpace's period-end net cash grew from £2.0m to £3.9m.

Riding on return-to-office strategies

SmartSpace was upbeat on maintaining its momentum on growing ARR and ARPU, aided by the easing of pandemic related restrictions and more customers focusing their attention on return to office strategies in a COVID-19 secure manner. On the call, CEO Frank Beechinor noted that orders in the UK rose after its pandemic roadmap was published in February 2021. SwipedOn's ARR is up 9% since the period end, with Beechinor adding that its focus continues to be on scaling its presence among larger mid-market customers (with greater upsell opportunities). On SmartSpace's channel only Space Connect business, Beechinor noted progress with its Evoko partnership (still in early stages but global pipeline has doubled to £1.2m) and resellers (such as Softcat partnership).

For the record, one broker has pencilled in fiscal 2022 revenues at £6.8m (+48%) and adjusted EBITDA losses of £0.7m (-65%)

Megabuyte view

SmartSpace's results highlight how investment into workspace technologies hasn't been a priority over the last year as most offices have been forced to shut and remote working has taken over. However, as restrictions ease and preparations are made to return to offices, vendors like SmartSpace stand to benefit as they are part of the solution in overseeing a safe return to the office and likely managing a larger proportion of hybrid workers (which comes with more complexities around booking desks, meeting rooms etc.). One of the key things determining how quickly SmartSpace can exploit this trend is the pace of easing restrictions across its operating regions.

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