

THE PANOPLY

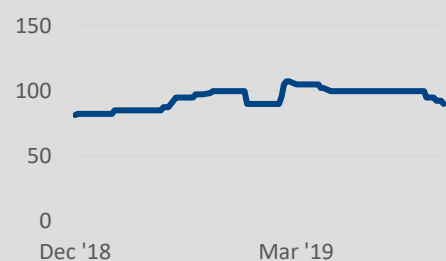
SOFTWARE AND COMPUTER SERVICES

TPX.L

90p

Market Cap: £38.1m

SHARE PRICE (p)



12m high/low

107.5p/0p

Source: LSE Data

KEY INFORMATION

Enterprise value	£34.6m
Index/market	AIM
Next news	FY 19 results, Jul-19
Gearing	N/A
Interest cover	N/A

THE PANOPLY IS A RESEARCH CLIENT OF
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Solid trading, strong cash position

In our view, today's trading update from The Panoply reassures on the FY 19E financial outcome. Revenue and EBITDA are expected to be in line with market expectations, with growth in the business being driven by increasing customer numbers, and by an increasing workload in the government and third-sector verticals. The release highlights the strong operational progress made since the December 2018 IPO, and the group's cash position remains strong. We make no changes to forecasts following the announcement and await detailed commentary on business performance in the full-year results announcement expected in July 2019.

- FY 19E revenue and EBITDA expected to be in line:** The announcement confirms management's expectation that the FY 19E revenue and EBITDA outcomes will be in line with market expectations. We forecast £21.1m and £3.0m respectively and believe both to be in line with market consensus
- Multiple growth drivers:** Management note that improvement in business performance has been driven by 1) growth in customer numbers across the group's businesses and 2) increasing workload in the government and third-sector verticals.
- Good operational progress made since IPO:** Following the December 2018 IPO, The Panoply has made three acquisitions. The release discloses that the relevant integration of the three businesses has been largely completed. The period also saw investment into new business units which complement the group's existing businesses and are expected to drive further growth (e.g. Human+)
- Strong cash position confirmed:** Although the announcement contains no detail on cash flow, the closing FY 19E net cash position was confirmed at £4.9m, in line with our forecast and representing c13% of the current market capitalisation.

In our view today's announcement gives confidence in the outlook for FY 19E and beyond. The overall tone of the announcement is positive, and the release highlights "a healthy pipeline" of future growth opportunities. With a track record of growth, the credibility of being a listed PLC and a strong cash position, in our view the group is well positioned to capitalise on this potential.

FYE MAR (£M)	2016	2018	2019E	2020E	2021E
Revenue	10.6	18.5	21.1	25.8	27.5
Adj EBITDA	1.7	3.3	3.0	3.3	3.6
Fully Adj PBT	1.7	3.2	2.9	3.2	3.4
Fully Adj EPS (p)	4.0	6.9	3.7	3.8	4.1
EV/Sales (x)	3.4x	1.9x	2.3x	2.1x	1.9x
EV/EBITDA (x)	21.5x	10.4x	15.9x	16.5x	14.7x
PER (x)	22.7x	13.0x	24.4x	23.4x	22.2x

Source: Company Information and Progressive Equity Research estimates.

Financial Summary: The Panoply

Year end: March (£m unless shown)

	2016	2018	2019E	2020E	2021E
PROFIT & LOSS					
Revenue	10.6	18.5	21.1	25.8	27.5
Adj EBITDA	1.7	3.3	3.0	3.3	3.6
Adj EBIT	1.6	3.2	2.9	3.2	3.4
Fully Adj PBT	1.7	3.2	2.9	3.2	3.4
Reported EPS (p)	3.9	4.6	2.7	4.1	4.3
Fully Adj EPS (p)	4.0	6.9	3.7	3.8	4.1
Dividend per share (p)	0.0	0.0	0.0	0.7	0.7
Avg shares outstanding (non-dil.)	40.6	40.6	57.0	69.2	69.2
Period-end Shares outstanding (Dil. m)	42.3	42.3	62.7	73.4	73.4
CASH FLOW & BALANCE SHEET					
Operating cash flow	1.3	2.7	1.9	3.0	3.6
Free Cash flow	0.0	1.2	1.5	2.6	2.7
FCF per share (p)	0.0	2.9	3.5	6.1	6.3
Acquisitions	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.0	0.6	5.0	0.0	0.0
Net cash flow	0.0	1.9	1.5	2.6	2.7
Overdrafts / borrowings	0.0	0.0	0.0	0.0	0.0
Cash & equivalents	1.6	3.5	4.9	7.5	10.2
Net (Debt)/Cash	1.6	3.5	4.9	7.5	10.2
NAV AND RETURNS					
Net asset value	2.2	3.6	20.0	22.8	25.2
NAV/share (p)	5.3	8.4	47.3	53.8	59.5
Net Tangible Asset Value	0.3	0.3	0.2	0.2	0.1
NTAV/share (p)	0.8	0.7	0.6	0.4	0.3
Average equity	1.9	2.9	11.8	21.4	24.0
Post-tax ROE (%)	89.4%	111.2%	24.5%	15.0%	14.3%
METRICS					
Revenue growth		74.3%	14.1%	22.3%	6.5%
Adj EBITDA growth		96.6%	(9.6%)	11.0%	6.5%
Adj EBIT growth		95.8%	(10.0%)	10.9%	6.8%
Adj PBT growth		94.1%	(10.2%)	10.9%	6.8%
Adj EPS growth		74.5%	(46.8%)	4.3%	5.6%
Dividend growth		N/A	N/A	N/A	10.0%
Adj EBIT margins		17.4%	13.7%-	12.4%	12.4%
VALUATION					
EV/Sales (x)	3.4	1.9	2.3	2.1	1.9
EV/EBITDA (x)	21.5	10.4	15.9	16.5	14.7
EV/EBIT (x)	22.3	10.8	16.6	17.2	15.3
PER (x)	22.7	13.0	24.4	23.4	22.2
Dividend yield	N/A	N/A	N/A	0.7%	0.8%
FCF yield		3.2%	3.9%	6.8%	7.0%

Source: Company information and Progressive Equity Research estimates

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