

THE PANOPLY

SOFTWARE AND COMPUTER SERVICES

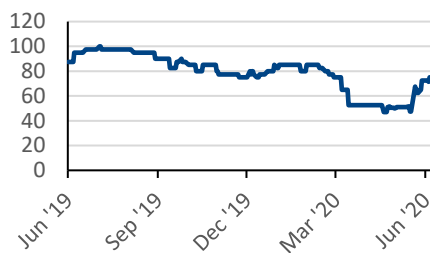
11 June 2020

TPX.L

75p

Market Cap: £41.3m

SHARE PRICE (p)



12m high/low

100p/47p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£(0.5)m (at 31/03/20)
Enterprise value	£41.7m
Index/market	AIM
Next news	FY 20E results, Aug-20
Shares in Issue (m)	55.1
Chairman	Mark Smith
Chief Executive	Neal Gandhi
Finance Director	Oliver Rigby

COMPANY DESCRIPTION

The Panoply is a digitally-native technology services company, focused on digital transformation.

www.thepanoply.com

THE PANOPLY IS A RESEARCH CLIENT OF
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The Panoply moves forward

The Panoply has announced a small acquisition, an IT services group (Arthurly) which appears to be a good strategic fit with the Notbinary unit. We make no changes to forecasts given the small scale of the acquired business, but the deal adds some useful (mainly Microsoft Azure) skills, and demonstrates that group remains active despite the COVID-19 lockdown.

- Deal details** Arthurly is being acquired for some £0.4m initial consideration (part cash, part shares) on a cash-free, debt-free basis. Deferred consideration of up to an additional £1.1m may be payable, contingent on the unit's performance up to September 2021. Arthurly has been working partly in conjunction with Notbinary, but its unrelated (external) contracts have generated around £0.4m over the last twelve months, and a modest operating profit.
- Strategic fit and skills acquired** Notbinary has been working on a number of projects in tandem with Arthurly, so the business is well known to The Panoply. Arthurly has strong skills around in particular Microsoft's cloud platform Azure, as well as the cloud offerings from Google (GCP) and Amazon (AWS). These skills have been put to good use in a range of clients including North Bristol NHS Trust, British Red Cross and a number of local authority and central government departments. The unit clearly adds to the Cloud computing skillset within Notbinary, and we believe that given the ongoing migration toward Cloud delivery, the strategic rationale is clear. The Panoply has already demonstrated its ability to acquire small businesses and help them evolve, and hopefully the Arthurly transaction will replicate this success.
- Three key positives** We see three key positives within this deal. Firstly, as described above, the deal is a good operational and strategic fit, adding useful skills and good reference customers. Secondly, it demonstrates that The Panoply is not being held back from its ambition during the COVID-19 lockdown. Thirdly, our decision to not alter forecasts is hopefully a prudent one, as it very modestly derisks forecasts – assuming a small positive contribution from Arthurly over time.

Overall, we see this deal as a useful step forward – a relatively small and low-risk acquisition, but demonstrating intent on the part of the group, and bringing useful additional skills into the enlarged group.

* Indicates a pro forma figure, other data presented on a statutory basis. NB: EV calculations include forecast future share issuance

FYE MAR (£M)	2018	2019	2020E	2021E	2022E
Revenue	15.6*	22.1*	30.2	37.2	45.4
Adj EBITDA	2.7*	3.5*	3.3	3.1	4.6
Fully Adj PBT	-0.3	-0.1	3.0	3.0	4.5
Fully Adj EPS (p)	N/A	N/A	3.3	3.3	4.7
EV/Sales (x)	2.6x	1.6x	2.0x	1.5x	1.2x
EV/EBITDA (x)	15.3x	10.3x	18.5x	18.3x	11.9x
PER (x)	N/A	N/A	22.7x	23.1x	15.8x

Source: Company Information and Progressive Equity Research estimates

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

Financial Summary: The Panoply

Year end: March (£m unless shown)

PROFIT & LOSS	2018	2019	2020E	2021E	2022E
Revenue	15.6*	22.1*	30.2	37.2	45.4
Adj EBITDA	2.7*	3.5*	3.3	3.1	4.6
Adj EBIT	(0.3)	0.4	3.1	3.0	4.6
Fully Adj PBT	(0.3)	(0.1)	3.0	3.0	4.5
Reported EPS (p)	N/A	N/A	1.1	1.5	2.9
Fully Adj EPS (p)	N/A	N/A	3.3	3.3	4.7
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
Avg shares outstanding (non-dil.)	0.0	18.2	58.8	76.9	76.9
Period-end Shares outstanding (Dil. m)	55.1	55.1	80.9	80.9	80.9
CASH FLOW & BALANCE SHEET	2018	2019	2020E	2021E	2022E
Operating cash flow	(0.4)	(1.5)	1.3	2.4	3.8
Free Cash flow	(0.4)	(1.6)	1.0	2.2	3.1
FCF per share (p)	(0.7)	(2.8)	1.8	4.0	5.6
Acquisitions	0.0	1.4	(6.0)	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.5	5.4	0.0	0.0	0.0
Net cash flow	0.1	5.2	(1.1)	(1.8)	3.1
Overdrafts / borrowings	0.0	0.0	(5.0)	0.0	0.0
Cash & equivalents	0.1	5.7	4.5	2.8	5.9
Net (Debt)/Cash	0.1	5.7	(0.5)	2.8	5.9
NAV AND RETURNS	2018	2019	2020E	2021E	2022E
Net asset value		19.3	16.9	19.5	22.0
NAV/share (p)		35.0	30.7	35.4	40.0
Net Tangible Asset Value		0.3	0.2	0.2	0.1
NTAV/share (p)		0.5	0.4	0.3	0.2
Average equity		9.6	18.1	18.2	20.8
Post-tax ROE (%)		(0.9%)	16.9%	16.7%	21.4%
METRICS	2018	2019	2020E	2021E	2022E
Revenue growth			36.9%	23.2%	21.9%
Adj EBITDA growth			(5.4%)	(4.3%)	45.5%
Adj EBIT growth			777.4%	(5.2%)	53.4%
Adj PBT growth			N/A	(0.4%)	46.9%
Adj EPS growth			N/A	(1.8%)	45.7%
Dividend growth			N/A	N/A	N/A
Adj EBIT margins			10.4%	8.0%	10.1%
VALUATION	2018	2019	2020E	2021E	2022E
EV/Sales (x)	2.6	1.6	2.0	1.5	1.2
EV/EBITDA (x)	15.3	10.3	18.5	18.3	11.9
EV/EBIT (x)	N/A	99.6	19.3	19.2	11.9
PER (x)	N/A	N/A	22.7	23.1	15.8
Dividend yield	N/A	N/A	N/A	N/A	0.0%
FCF yield		N/A	2.4%	5.3%	7.5%

Source: Company information and Progressive Equity Research estimates

* Indicates pro forma figure. Other data presented on a statutory basis

** Our Enterprise valuation calculations include forecast future share issuance

Disclaimers and Disclosures

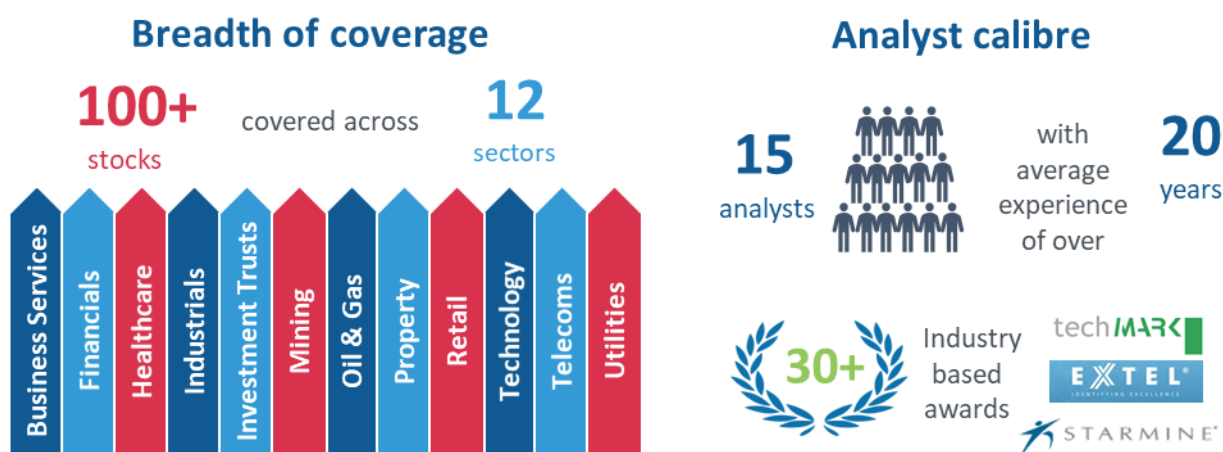
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To arrange a meeting with the management team, or for further information about Progressive, please contact:

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