

THE PANOPY

SOFTWARE AND COMPUTER SERVICES

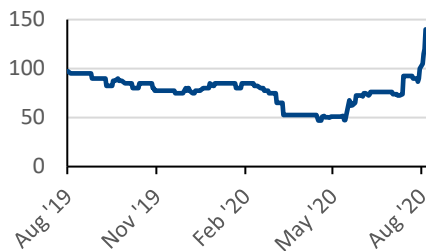
14 August 2020

TPX.L

140p

Market Cap: £77.9m

SHARE PRICE (p)



12m high/low 140p/47p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£1.8m (at 30/06/20)
Enterprise value	£76.1m
Index/market	AIM
Next news	Interims, Dec-20
Shares in Issue (m)	55.7
Chairman	Mark Smith
Chief Executive	Neal Gandhi
Finance Director	Oliver Rigby

COMPANY DESCRIPTION

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

www.thepanopy.com

THE PANOPY IS A RESEARCH CLIENT OF
PROGRESSIVE

ANALYSTS

Blaine Tatum

+44 (0) 20 7781 5309

btatum@progressive-research.com



Gareth Evans

+44 (0) 20 7781 5301

gevans@progressive-research.com



www.progressive-research.com

Contract wins with HM Land Registry

Digital transformation services provider The Panopy has announced contract wins with HM Land Registry with an aggregate £4.8m value. The group's FutureGov subsidiary has been selected to be the client's user-centred design research and capability partner within its digital and data transformation programme. NotBinary will become the client's partner specialising in Product Management. Following on from confirmation in the recent trading update that £13m of new business was secured in Q1 21E, the group seems firmly on track to reach our (upgraded) FY 21E estimates. We leave forecasts unchanged following this positive news and continue to believe that the group is strongly placed to capture growth opportunities in digital transformation – particularly in the public sector.

- Contract wins with HM Land Registry:** The Panopy has announced contract wins with an aggregate £4.8m value with HM Land Registry. FutureGov was selected over 25 other bids and will be the client's user-centred design research and capability partner within its digital and data transformation programme. NotBinary was selected over 36 other bids to become HM Land Registry's partner specialising in Product Management, improving the client's service delivery capability. Both contracts are expected to be recognised over the next twenty-four months.
- Increasingly the partner of choice in public sector digital transformation:** Around 70% of group revenue now comes from public sector organisations. Today's announcement heralds the welcome addition of a new blue-chip client to the group. In addition to further demonstrating commercial traction in public sector digital transformation, in our view these contracts wins demonstrate the value of the group's service offering, its ability to successfully deliver larger projects and the benefits of the group's new full-stack brand-driven marketing.
- On track for FY 21E:** As confirmed in the recent trading update, The Panopy entered FY 21E with a £15m sales backlog and in Q1 21E won new contracts with a total value of £13m. With today's announcement signalling an additional £4.8m of new business, albeit to be recognised over the next two years, we continue to believe the group has good visibility on our FY 21E forecasts.

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

FYE MAR (£M)	2019	2020	2021E	2022E	2023E
Revenue	22.1*	31.5	39.8	45.4	49.9
Adj EBITDA	2.1*	3.4	4.7	5.4	6.2
Fully Adj PBT	0.3	2.9	4.6	5.1	5.6
Fully Adj EPS (p)	0.7	3.6	4.9	5.4	5.9
EV/Sales (x)	3.3x	2.5x	2.7x	2.3x	2.0x
EV/EBITDA (x)	34.4x	23.0x	22.8x	19.2x	16.1x
PER (x)	N/A	N/A	28.6x	25.9x	23.9x

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	2019	2020	2021E	2022E	2023E
Revenue	22.1*	31.5	39.8	45.4	49.9
Adj EBITDA	2.1*	3.4	4.7	5.4	6.2
Adj EBIT	0.4	3.7	4.6	5.3	6.1
Fully Adj PBT	0.3	2.9	4.6	5.1	5.6
Reported EPS (p)	(9.2)	(6.3)	2.6	2.9	3.3
Fully Adj EPS (p)	0.70	3.6	4.9	5.4	5.9
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0
Avg shares outstanding (non-dil.)	18.2	48.2	74.3	77.7	77.7
Period-end Shares outstanding (Dil. m)	80.1	55.7	74.8	81.6	81.6
CASH FLOW & BALANCE SHEET	2019	2020	2021E	2022E	2023E
Operating cash flow	(1.2)	2.7	4.0	4.9	5.0
Free Cash flow	(1.2)	2.5	3.4	4.0	4.0
FCF per share (p)	(2.2)	4.4	6.2	7.2	7.1
Acquisitions	1.4	(7.0)	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	5.4	0.0	0.0	0.0	0.0
Net cash flow	5.6	(1.0)	(0.6)	4.0	4.0
Overdrafts / borrowings	0.0	(5.0)	0.0	0.0	0.0
Cash & equivalents	5.7	4.6	4.0	8.0	12.0
Net (Debt)/Cash	5.7	(0.4)	4.0	8.0	12.0
NAV AND RETURNS	2019	2020	2021E	2022E	2023E
Net asset value	19.3	27.3	30.1	32.8	36.8
NAV/share (p)	34.6	49.0	54.1	59.0	66.2
Net Tangible Asset Value	0.3	0.3	0.1	0.0	0.0
NTAV/share (p)	0.5	0.5	0.2	0.1	(0.1)
Average equity	9.6	23.3	28.7	31.5	34.8
Post-tax ROE (%)	3.6%	1.5%	10.2%	14.6%	14.7%
METRICS	2019	2020	2021E	2022E	2023E
Revenue growth		42.8%	26.5%	14.0%	10.0%
Adj EBITDA growth		61.9%	39.6%	14.4%	14.6%
Adj EBIT growth		934.2%	24.4%	14.9%	15.1%
Adj PBT growth		N/A	57.2%	11.1%	9.9%
Adj EPS growth		N/A	N/A	10.2%	8.4%
Dividend growth		N/A	N/A	N/A	N/A
Adj EBIT margins		11.7%	11.5%	11.6%	12.2%
VALUATION	2019	2020	2021E	2022E	2023E
EV/Sales (x)	3.3	2.5	2.7	2.3	2.0
EV/EBITDA (x)	34.4	23.0	22.8	19.2	16.1
EV/EBIT (x)	N/A	21.2	23.6	19.7	16.5
PER (x)	N/A	N/A	28.6	25.9	23.9
Dividend yield	N/A	N/A	N/A	N/A	0.0%
FCF yield		N/A	4.4%	5.1%	5.1%

Source: Company information and Progressive Equity Research estimate

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

** Our Enterprise valuation calculations include forecast future share issuance

Disclaimers and Disclosures

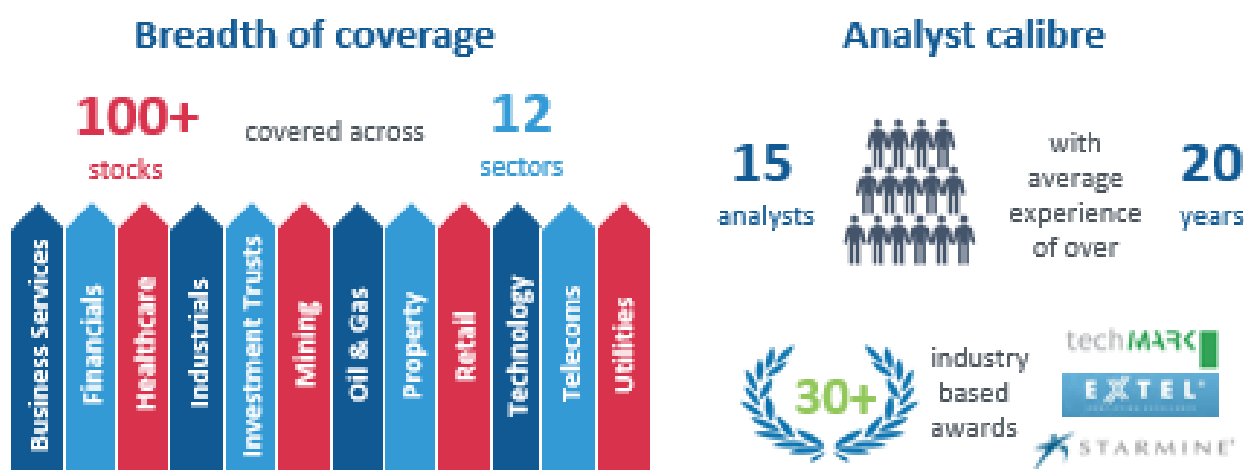
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To arrange a meeting with the management team, or for further information about Progressive, please contact:

Emily Ritchie
+44 (0) 20 7781 5311
eritchie@progressive-research.com