

21 April 2015

Key Statistics

Code : BVM
Listing : AIM
Sector : Computer Hardware
Market Cap : £5.05m
Share in issue : 100.94m
Current Price : 5.00p
12 month High/Low: 3.25p/6.98p

Stock Performance



Source: InvestEgate

Financials

£'m	2014A	2013A	2012A	2011A
Revenue	9.41	8.43	8.67	11.12
PAT	0.51	0.21	0.34	0.88

Source: *Belgravium Technologies' Annual reports*

Company description

Belgravium Technologies Plc has been supplying turnkey data collection and mobile computing solutions for industrial and commercial applications since 1982. It is a market leader in enterprise mobile computing solutions with a global base of over 500,000 installations. Its solutions provide the 'who, what, where' data critical to every organisation, and delivers it when it is needed. The Company helps capture, move, and manage critical information, providing businesses the means to access real-time information anytime and anywhere.

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Belgravium: Going Like a Train

Early in March this year, *Belgravium's* Executive Chairman John Kembery reported a, 'much improved year', referring to the FY ended 31 December 2014. Of course he cannot speculate on what might happen next, but the report hints there is still plenty more to come; not least because a lumpy contract expected to land in the period missed, will likely be included in H1 2015. Despite this setback, EBITDA increased to £915,000 (£451,000 FY2013) and basic EPS rose to 0.50p (0.22p FY2013).

The balance sheet is debt free, and there were some significantly positive movements in the Cashflow with regards to changes in receivables, payables and inventory reduction. It is hard to tell to what extent these improvements can be sustained, but Cash & Equivalents finished at £731,000 (£219,000 FY 2013) despite approximately £300,000 of cash going out on the acquisition of *AFS*; which completed on the last day of the year.

The Board parked the dividend, pending another potential acquisition. Given how well the *Feedback Data* acquisition (from 2013) has gone, (and *AFS* is to be folded into that) this would seem likely to be positive news. However, if the mooted acquisition does not go through, the dividend could be reinstated.

The Group designs, installs and maintains software applications and solutions – including handheld terminals - for the airline, rail, retail and logistics industries. The strategy is to provide operational solutions that create sticky client relationships and recurring revenues through software licences and managed service maintenance agreements. Historically the group has provided rugged terminals to deliver their systems, but increasingly customers want to run the software on tablets and smartphones (Windows, Apple iOS and Android) and delivering this option has been a focus of the group's current development plan. Not only does this open the door to a new universe of customers, but it is likely to improve margins too. *Belgravium* already has a blue chip customer base with over 500k installations and enjoys a high level of roll-out and repeat business, so there is little doubt as to the efficacy of the products.

Belgravium Technologies currently has three active company brands:

- H **Feedback Data:** Time & Attendance Systems, Access Control Hardware & Systems and Biometric System Specialists.
- H **TouchStar Technologies:** Hardware Manufacture (mobile computers), Bespoke Hardware Development, Systems Integration, Application Software Development, Wireless Infrastructure Provision, Vehicle Telematics Specialists, ATEX standard specialist hardware, Vehicle Tracking Specialists, RFID Specialists and Voice Recognition Specialists
- H **Novo IVC:** Mobile POS Solutions, Bespoke Software Development, Chip and Pin Solutions and Mobile Payment Accreditation.

Outlook:

New Markets: *Belgravium* has been able to redeploy skills and products tested in the airline market for use in the rail industry. The 'Mobile Retail' sales team has already won two significant contracts with the Company's mobile EPOS solution being sold into First Great Western and Leo Express (Czech Republic). Multiple other pilot schemes have been delivered into the transport sector.

Acquisitions: At the end of the year the Group completed the purchase of *AFS*. *AFS* has been merged in *Feedback Data* strengthening the offering by adding Fire Security and CCTV solutions. It will also broaden the client base and the geographic reach of Feedback. *AFS* was acquired for a net price around £300k and has revenues around £750k and profits around £30k though margins should grow once integrated into feedback. The Company continues to look for accretive acquisitions.

Product Development: Historically the group has provided rugged terminals and Windows based software, but increasingly customers are wanting to run the software on tablets and smartphones using Apple iOS and Android too. Developing compatible software, and selling it separately to the hardware, has been a focus of the group's development plan. This will not only open the door to a new universe of customers, but it is likely to improve overall margins too.

Margins:

There is no breakdown available for the different business segments, hardware/software, nor indeed by customer type. Gross profit margins across the group come in at around 50% which considering there is a hardware element in the overall sales is a decent margin. As noted above, recurring software sales are likely to become a larger part of the sales mix and we can guess that increased market capability will help the margins as well as the top line.

There is good operational gearing here too. With gross profit margins at 50% and bottom line profit margins at 5.5%, it is easy to see how quickly additional revenues can flow through to profits.

Conclusions:

Belgravium has a great product as evidenced by its strong customer base and high levels of repeat business. These tested products have been developed and upgraded and are now able to be rolled out to a bigger audience on potentially higher margins. The current valuation of 0.5x sales and 10x EPS seems modest given the Company is already profitable, the growth potential and the significant operational gearing that could arguably double EPS on a low teen percentage increase in sales. Add a software multiple to that new EPS and it could be very exciting indeed for the share price.

Consolidated income statements for the six months ended 31 December 2014

	2014	2013	2012	2011
	£'000	£'000	£'000	£'000
Revenue	9,408	8,425	8,669	11,157
Cost of Sales	-4,680	-4,249	-4,738	-6,335
Gross Profit	4,728	4,176	3,931	4,822
Distribution Costs	-81	-122	-122	-135
Administration Expenses	-4,170	-3,932	-3,522	-3,641
Operating profit before exceptional items	504	333	-	-
Exceptional costs included in administration expenses	-27	-211	-	-
Operating profit	477	122	287	1,046
Finance income	1	7	1	1
Finance expense	-3	-4	-6	-23
Profit before income tax	475	125	282	1,024
Income tax credit	34	94	54	-148
Profit for the year attributable to the owners of the parent	509	219	336	876

Source: *Belgravium Technologies' Annual Reports*

Consolidated statement of financial position at 31 December 2014

	2014	2013	2012	2011
	£'000	£'000	£'000	£'000
Non-current assets				
Goodwill	9,824	9,495	9,124	9,124
Development Expenditure	716	556	281	273
Total Intangible Assets	10,540	10,051	9,405	9,397
Property, Plant and Equipment	217	213	263	383
Deferred Income Tax Assets	67	66	-	-
	10,824	10,330	9,668	9,780
Current Assets				
Inventories	1,435	1,774	1,454	1,544
Trade and Other Receivables	3,177	2,681	2,106	3,006
Current Income Tax Recoverable	103	-	-	-
Cash and cash equivalents	731	219	1,614	1,220
	5,446	4,674	5,174	5,770
Total Assets	16,270	15,004	14,842	15,550
Current Liabilities				
Trade and other payables	4,027	2,962	2,643	3,319
Borrowings	18	13	12	98
Short term provisions	-	7	22	13
Current Income Tax Liabilities	-	-	-	157
	4,045	2,982	2,677	3,587
Non-current liabilities				
Deferred income tax liabilities	75	-	28	70
Deferred income	480	750	970	949
Borrowings	13	23	36	48
Total liabilities	4,613	3,755	3,711	4,654
Capital and reserves attributable to owners of the parent				
Share capital	5,047	5,049	5,047	5,047
Share premium account	2,932	2,932	2,932	2,932
Capital redemption reserve	2,100	2,100	2,100	2,100
Profit and loss account	1,578	1,170	1,052	817
Total equity	11,657	11,249	11,131	10,896
Total equity and liabilities	16,270	15,004	14,842	15,550

Source: *Belgravium Technologies' Annual Reports*

Consolidated cash flow statements for the six months ended 31 December 2014

	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Cash flows from operating activities				
Operating profit	477	122	287	1,046
Depreciation	122	120	184	144
Amortisation	316	209	139	135
Movement in:				
Provisions	-7	-15	9	-4
Inventories	361	-197	90	-392
Trade and other receivables	-431	-221	900	460
Trade and other payables	653	-426	-655	341
Cash generated from/(used in) operations	1,491	-408	954	1,730
Interest received	1	7	1	1
Interest paid	-3	-4	-6	-23
Corporation tax received	-	-	-	35
Corporation tax paid	9	-	-145	5
Net cash generated from/(used in) operating activities	1,498	-405	804	1,738
Cash flows from investing activities				
Acquisition of subsidiary undertakings (net of cash acquired)	-296	-232	-	-
Amount paid to clear inter-company balances	-	-368	-	-
Purchase of intangible assets	-476	-220	-147	-130
Purchase of property, plant and equipment	-100	-57	-65	-208
Net cash used in investing activities	-872	-877	-211	-338
Cash flows from financing activities				
Repayments of finance lease contracts	-13	-12	-11	-3
Repayment of bank borrowings	-	-	-87	-523
Equity dividends paid to shareholders	-101	-101	-101	-
Net cash used in financing activities	-114	-113	-199	-526
Net increase/(decrease) in cash and cash equivalents	512	-1,395	394	874
Cash and cash equivalents at start of the year	219	1,641	1,220	346
Cash and cash equivalents at end of the year	731	219	1,614	1,220

Source: *Belgravium Technologies' Annual Reports*

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