

SmartSpace slightly ahead of downgraded expectations

megabyte.com/app/news/620b6346e3f652000c11b5e1/smartspace-notes-improved-demand-return-office

AIM-listed workspace management software provider SmartSpace has announced that, for the year ending January 2022, revenues are expected to be £5.3m (+15%) and EBITDA losses at no more than £2.5m (2021: £2.1m). These are ahead of revised expectations issued in October 2021, of at least £5.2m revenue and no more than £2.7m losses respectively (which compare to original expectations of £7.8m and £0.7m losses respectively). SmartSpace grew recurring revenue by 50% to £3.6m and ended the year with ARR of £4.9m (+64%) and gross cash of £2.8m (also ahead of market expectations). Trading was aided by a strong resurgence in demand in Australia since exiting lockdowns in Autumn, while the recent push to return to the office has significantly improved orders and the sales pipeline, particularly in the UK. The shares are up 8% to 71p this morning.

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, as well as workspace related hardware such as meeting room displays and sensors (through its Anders + Kern brand).

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 (£3.2m).

Strong ARR growth driven by SwipedOn

Expanding on its divisional performances, SmartSpace noted that SwipedOn (visitor management system) ARR increased to £4.2m (+57%) with average revenue per user (ARPU) up 58% to \$154 (£75) compared with \$97 (£48) at year end. SwipedOn is now used in 7,076 locations (2021: 6,741) and continues to target higher value multi-location customers.

Space Connect (meeting room and desk booking solution) ARR jumped 291% to £0.61m (2021: £0.16m), driven by strong growth from its reseller channels which has grown to include partners in the Philippines, Poland, India, Ireland, Canada, Belgium and USA. Sales of Evoko Naso are in line with current conservative forecasts, but management remain optimistic on future sales trajectory going into 2022.

Meanwhile, sales from Anders & Kern (distribution and technical support product) remain challenged with revenues falling to £1.7m (2021: £2.3m).

Megabyte view

After materially downgrading its outlook just four months ago, SmartSpace has landed a slightly better than expected fourth quarter performance and build stronger sales momentum going into its current fiscal year. The trading dynamics, though, appear similar to the half year as strong progress for SwipedOn is being masked by challenges in A+K and Space Connect, where investment decisions are being delayed due to markets yet to fully return to normal working capacity. These challenges have weighed on its share price performance, down 47% over the past year, and trade on 3.5x forward EV/sales.