

# THE PANOPY

## SOFTWARE AND COMPUTER SERVICES

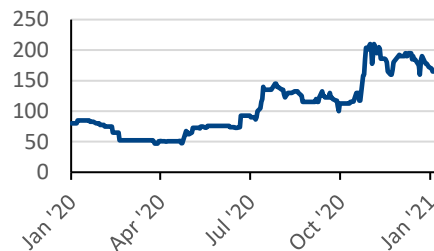
4 February 2021

TPX.L

165p

Market Cap: £114.2m

### SHARE PRICE (p)



12m high/low 210p/47p

Source: LSE Data

### KEY DATA

Net (Debt)/Cash	£(1.2)m (at 30/09/20)
Enterprise value	£115.4m
Index/market	AIM
Next news	Trading Update, Apr-21
Shares in Issue (m)	69.2
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](http://www.thepanopy.com)

THE PANOPY IS A RESEARCH CLIENT OF  
PROGRESSIVE

### ANALYSTS

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## A step-change in reach into healthcare

Digital transformation services provider The Panopy has announced contract wins with the NHS with an aggregate value in excess of £7m. In addition to representing a step change in reach into the key healthcare vertical, in our view the wins demonstrate the group's ability to secure larger contracts. The release also reveals that the Difrent business will be joining the Foundry4 brand. We leave forecasts unchanged following this positive news and continue to believe that the group is strongly placed to capture growth opportunities in public-sector digital transformation.

- NHS contract wins:** The Panopy has announced two separate contract wins with the NHS, with an aggregate value in excess of £7m to be recognised over two years. In partnership with global IT supplier Mastek, the group has secured: 1) a £6m framework agreement to provide capabilities to support the organisation's digital transformation agenda and 2) a £1.2m contract to be the NHS's overseas health delivery partner.
- Further evidence of the group's ability to win larger contracts:** The H1 21A results announcement revealed that in the collective multi-year history of the Group companies, just two contracts of over £4m in value had ever been won. During H1 21A alone, two contracts above that size were secured and a further win was announced in Q3 21A with HM Planning Inspectorate. The NHS contract wins announced today therefore continues the positive trend of larger contract wins.
- Difrent to join Foundry4:** During 2020, The Panopy established two full-stack service offerings – FutureGov (digital transformation from E2E service design including technology) and Foundry4 (digital transformation through the adoption of hyper-scale cloud, data analytics, AI, machine learning and RPA). Acquired in October 2020, Difrent's technology was a key differentiator in securing the NHS contracts and the business is to be integrated in Foundry4 from 1 April 2021.
- On track for FY 21E:** As confirmed in the recent trading update, the group saw an acceleration in new business wins during Q3 21E, securing £15m of new contracts. With today's announcement signalling an additional £7m 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 and beyond.

\* 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	47.5	52.3	57.2
Adj EBITDA	2.1*	3.4	6.3	6.5	7.2
Adj PBT	0.3	2.9	5.3	5.8	6.7
Fully Adj EPS (p)	0.7	3.6	5.8	6.0	6.8
EV/Sales (x)	2.5x	3.9x	2.8x	2.6x	2.4x
EV/EBITDA (x)	26.2x	36.4x	21.1x	20.6x	18.8x
PER (x)	N/A	N/A	28.3x	27.4x	24.4x

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)

	2019	2020	2021E	2022E	2023E
<b>PROFIT &amp; LOSS</b>					
Revenue	22.1*	31.5	47.5	52.3	57.2
Adj EBITDA	2.1*	3.4	6.3	6.5	7.2
Adj EBIT	0.4	3.7	6.1	6.4	7.0
Adj PBT	0.3	2.9	5.3	5.8	6.7
Reported EPS (p)	(9.2)	(4.9)	3.6	3.8	4.4
Fully Adj EPS (p)	0.7	3.6	5.8	6.0	6.8
Dividend per share (p)	0.0	0.0	0.6	0.7	0.8
Adjusted share count (Dil. M)	36.8	74.8	80.2	83.5	86.4
Average Shares outstanding (Dil. M)	18.2	48.2	63.5	77.1	84.4
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	(1.2)	2.7	4.8	5.4	6.2
Free Cash flow	(1.2)	2.5	3.8	3.7	4.5
FCF per share (p)	(1.8)	3.6	5.4	5.3	6.5
Acquisitions	1.4	(7.0)	(2.0)	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)	1.7	1.7	2.5
Overdrafts / borrowings	0.0	(5.0)	(7.0)	(5.0)	(3.0)
Cash & equivalents	5.7	4.6	6.4	8.0	10.5
Net (Debt)/Cash	5.7	(0.4)	(0.7)	3.0	7.5
<b>NAV AND RETURNS</b>					
Net asset value	19.3	27.3	31.1	33.7	38.3
NAV/share (p)	52.3	36.5	38.8	40.4	44.3
Net Tangible Asset Value	0.3	0.3	0.1	0.0	0.0
NTAV/share (p)	0.8	0.4	0.2	0.1	0.0
Average equity	9.6	23.3	29.2	32.4	36.0
Post-tax ROE (%)	3.6%	1.5%	10.0%	16.3%	16.2%
<b>METRICS</b>					
Revenue growth		42.9%	50.6%	10.1%	9.5%
Adj EBITDA growth		61.9%	85.3%	3.6%	9.7%
Adj EBIT growth		934.2%	66.5%	3.7%	10.0%
Adj PBT growth		N/A	80.3%	10.5%	14.3%
Adj EPS growth		N/A	N/A	3.2%	12.4%
Dividend growth		N/A	N/A	16.7%	14.3%
Adj EBIT margins		11.7%	12.9%	12.2%	12.3%
<b>VALUATION</b>					
EV/Sales (x)	2.5	3.9	2.8	2.6	2.4
EV/EBITDA (x)	26.2	36.4	21.1	20.6	18.8
EV/EBIT (x)	N/A	33.5	21.6	21.1	19.3
PER (x)	N/A	N/A	28.3	27.4	24.4
Dividend yield	N/A	N/A	0.4%	0.4%	0.5%
FCF yield		N/A	3.3%	3.2%	4.0%

Source: Company information and Progressive Equity Research estimates

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

**Disclaimers and Disclosures**

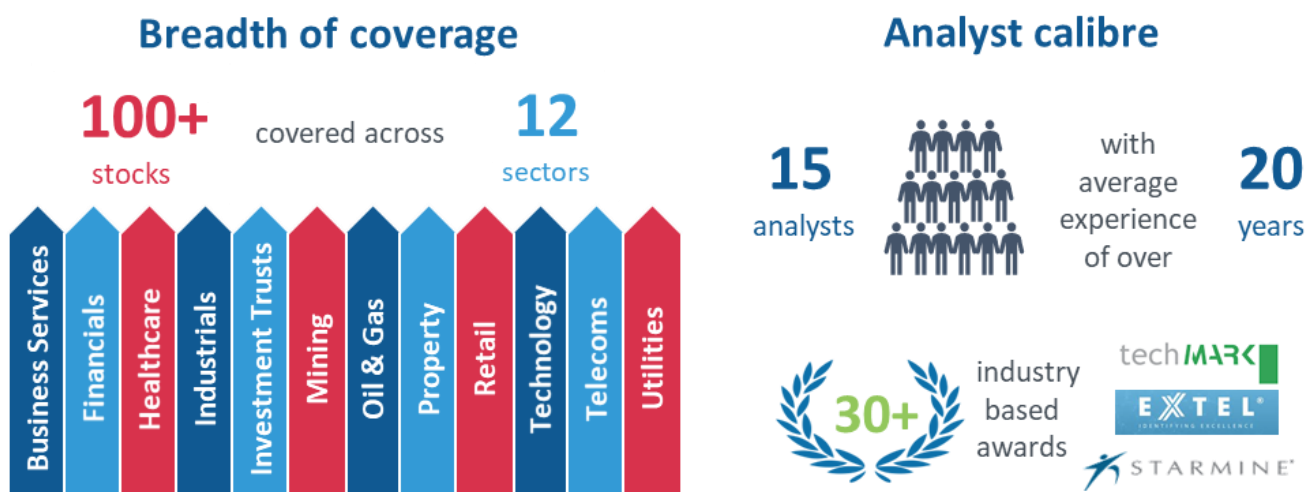
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