

11 June 2024

Corp

Ticker VNET:AIM

Software & Computer Services

Shares in issue (m) 29.4

Next results H1 Dec

Price 107.0p

Target price 210.0p

Upside 96%

Market Cap £31.5m

Net debt/(cash) £1.5m

Other EV adjustments £0.0m

Enterprise value £33.0m

What's changed? From To

Adjusted EPS 6.2 6.2

Target price 210.0 n/c

Share price performance



%	1M	3M	12M
Actual	-8.9	-7.8	26.6

Company description

Vianet's integrated platform enables hospitality and vending customers to optimise their operations

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Robust progress through FY24, FY25E forecasts reiterated

Vianet's FY24 results show revenue growth of +8% to £15.2m, adjusted EBITA growth of +12% to £3.5m, EFCF of £2.1m or +£0.1m ahead of our previous forecast, proposed FY24 DPS of 0.75p +25% ahead of our previous forecast, and a confident outlook that leads us to reiterate our FY25E forecasts and upgrade FY25E DPS by +29%. After the [April trading update](#) led us to upgrade FY24 revenue +1%, upgrade adjusted EBITA +2%, and upgrade EFCF and net debt by +£0.6m, the results show strong momentum across both divisions, with H2 24 revenue growth accelerating to +15% yoy due to +12% H2 yoy growth for Smart Zones and +19% yoy for Smart Machines. FY25 has started strongly, with a robust pipeline of opportunities across both divisions, and as management gains greater certainty on the potentially transformational opportunities in the US, UK managed hospitality venues, forecourts, and new verticals, we will introduce FY26E forecasts by H1 results in December. As Vianet builds upon a strong foundation, including customer wins such as [Wilcomatic in April](#), we look forward to the strong operating and financial momentum continuing through FY25, new customer wins, and attractive M&A opportunities. At 107p, Vianet is trading on FY25E multiples of only 6x EV/EBITDA and 6% EFCF yield, vs Cavendish T40 & N50 peers on 12-14x EV/EBITDA, and 3-4% EFCF yield.

- **Strong FY24 results** – FY24 revenue growth of +8% to £15.2m reflects strong momentum across both divisions, and recurring revenue of £12.9m represents 85% of group revenue. Smart Machines delivered +10% FY24 revenue growth to £6.6m, where management capitalised upon customers adapting to the UK 3G mobile network switch off from 2024, by successfully renewing and winning new customers on 3-5 year contracts. Smart Zones achieved +6% growth to £8.6m, with 3 new contract wins and 8 contract renewals, as management built upon the expanding capabilities of the integrated SmartDraught and Beverage Metrics platform. Gross profit growth of +11% to £10.4m reflects gross margin increasing to 69% from 66% in FY23, and including the -£0.5m EBITA impact from the May 2023 BMI acquisition, strong cost control delivered +12% adj EBITA growth to £3.5m. A strong focus on cash and working capital then drove EFCF to +£2.1m, which is +£0.1m ahead of our previous +£0.6m upgrade in April, and net debt of £1.5m, which is in line with the +£0.6m upgrade in April. The proposed FY24 DPS of 0.75p is +25% ahead of our previous 0.60p, and we upgrade our FY25E DPS +29% to 0.90p from 0.70p, with the Board also looking to reinstate an interim dividend at the earliest opportunity.

- **Capitalising on untapped potential** – As we explain from p3, Vianet is focused upon scaling its proprietary platforms. In Smart Zones, the Q1 24 BMI acquisition and launch of Beverage Metrics in H2 24 create value in its c90% share of the UK leased & tenanted market, expand the UK TAM by c4x, and accelerate US expansion. In Smart Machines, the evolution of SmartVend will further differentiate the platform, and enable expansion into 15m global machines. Proven hardware creates very low churn, 3-5 year contracts deliver recurring revenue of over 80%, and we expect SaaS solutions scaling will create strategically valuable data and economies of scale.

Key estimates		2021A	2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar	Mar
Revenue	£m	8.4	13.2	14.1	15.2	17.1
Adj EBITDA	£m	-0.1	2.9	3.6	4.0	5.2
Adj EBIT	£m	-2.4	0.2	0.8	1.3	2.5
Adj PBT	£m	-2.4	0.0	0.6	1.0	2.2
Adj EPS	p	-5.3	1.3	2.2	3.5	6.2
DPS	p	0.0	0.0	0.5	0.8	0.9

Key valuation metrics		2021A	2022A	2023A	2024A	2025E
EV/sales	x	3.9	2.5	2.3	2.2	1.9
EV/EBIT (adj)	x	-14.0	196.4	39.0	25.3	13.3
P/E (adj)	x	-20.1	80.3	48.2	30.9	17.3
Dividend yield	%	0.0%	0.0%	0.5%	0.7%	0.8%
Free cash yield	%	-5.3%	-0.7%	-1.1%	6.7%	6.1%

Robust progress through FY24, FY25E forecasts reiterated

Income statement		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Sales	£m	13.2	14.1	15.2	17.1
Gross profit	£m	8.6	9.4	10.4	11.9
EBITDA (adjusted)	£m	2.9	3.6	4.0	5.2
EBIT (adjusted)	£m	0.2	0.8	1.3	2.5
Associates/other	£m	0.0	0.0	0.0	0.0
Net interest	£m	-0.1	-0.2	-0.3	-0.3
PBT (adjusted)	£m	0.0	0.6	1.0	2.2
Total adjustments	£m	-0.2	-0.2	-0.2	-0.2
PBT (stated)	£m	-0.2	0.5	0.8	2.0
Tax charge	£m	0.4	-0.3	0.0	-0.3
Minorities/Disc ops	£m	0.0	0.0	0.0	0.0
Reported earnings	£m	0.2	0.2	0.8	1.7
Adjusted earnings	£m	0.4	0.6	1.0	1.9
Shares in issue (year end)	m	28.8	28.8	29.4	29.5
EPS (stated)	p	0.6	0.6	2.7	5.7
EPS (adjusted, fully diluted)	p	1.3	2.2	3.5	6.2
DPS	p	0.0	0.5	0.8	0.9

Cash flow		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
EBITDA	£m	2.9	3.6	4.0	5.2
Net change in working capital	£m	-0.3	-1.5	-0.3	-0.4
Other operating items	£m	-0.1	-0.1	-0.1	-0.1
Cash flow from op. activities	£m	2.4	2.0	3.7	4.7
Cash interest	£m	-0.1	-0.2	-0.3	-0.3
Cash tax	£m	0.0	0.0	0.9	-0.3
Capex	£m	-2.5	-2.4	-2.3	-2.2
Other items	£m	-0.0	0.2	0.1	-0.0
Free cash flow	£m	-0.2	-0.4	2.1	1.9
Acquisitions / disposals	£m	0.0	0.0	0.0	-0.2
Dividends	£m	0.0	0.0	-0.1	-0.2
Shares issued	£m	-0.1	0.0	-0.1	0.0
Other	£m	-0.0	-0.0	-0.0	0.0
Net change in cash flow	£m	-0.3	-0.4	1.9	1.5
Opening net cash (debt)	£m	-2.7	-3.0	-3.4	-1.5
Closing net cash (debt)	£m	-3.0	-3.4	-1.5	-0.0

Balance sheet		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Tangible fixed assets	£m	3.3	3.4	3.3	3.5
Goodwill & other intangibles	£m	23.8	23.3	23.7	23.3
Other non current assets	£m	0.4	0.0	0.0	0.0
Net working capital	£m	1.3	3.7	3.0	3.4
Other assets	£m	0.0	0.0	0.0	0.0
Other liabilities	£m	0.0	-0.8	-1.1	-1.1
Gross cash & cash equivs	£m	1.6	0.1	1.8	2.9
Capital employed	£m	30.3	29.6	30.8	32.0
Gross debt	£m	4.6	3.6	3.6	3.2
Net pension liability	£m	0.0	0.0	0.0	0.0
Shareholders equity	£m	25.7	26.0	27.2	28.8
Minorities	£m	0.0	0.0	0.0	0.0
Capital employed	£m	30.3	29.6	30.8	32.0

Growth analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Sales growth	%	57.9%	6.8%	7.5%	12.8%
EBITDA growth	%	n/m	26.9%	10.9%	29.0%
EBIT growth	%	107.1%	404.2%	54.1%	89.6%
PBT growth	%	101.2%	n/m	60.5%	114.2%
EPS growth	%	125.1%	66.5%	55.8%	79.2%
DPS growth	%	n/m	n/m	50.0%	20.0%

Profitability analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Gross margin	%	64.8%	66.4%	68.7%	69.7%
EBITDA margin	%	21.6%	25.6%	26.4%	30.2%
EBIT margin	%	1.3%	6.0%	8.6%	14.4%
PBT margin	%	0.2%	4.5%	6.8%	12.9%
Net margin	%	3.0%	4.5%	6.8%	11.1%

Valuation analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
EV/EBITDA	x	11.6	9.1	8.2	6.4
EV/EBIT	x	196.4	39.0	25.3	13.3
P/E	x	80.3	48.2	30.9	17.3

Cash flow analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Cash conv'n (op cash / EBITDA)	%	84.0%	56.3%	91.5%	90.7%
Cash conv'n (FCF / EBITDA)	%	-7.7%	-9.9%	52.7%	36.9%
U/lying FCF (capex = depn)	£m	-0.5	-0.8	1.7	1.4
Cash quality (u/l FCF / adj earn)	%	-115.9%	-121.1%	166.6%	73.7%
Investment rate (capex / depn)	x	5.0	4.5	4.2	4.1
Interest cash cover	x	17.4	9.9	13.3	17.4
Dividend cash cover	x	n/a	n/a	14.3	8.6

Working capital analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Net working capital / sales	%	9.7%	26.3%	19.7%	19.7%
Net working capital / sales	days	35	96	72	72
Inventory (days)	days	43	59	53	48
Receivables (days)	days	74	98	93	86
Payables (days)	days	82	61	74	61

Leverage analysis		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Net debt / equity	%	11.8%	13.7%	6.6%	1.0%
Net debt / EBITDA	x	1.1	1.0	0.4	0.1
Liabilities / capital employed	%	15.2%	12.3%	11.7%	10.0%

Capital efficiency & intrinsic value		2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar
Adjusted return on equity	%	1.5%	2.5%	3.8%	6.6%
RoCE (EBIT basis, pre-tax)	%	0.6%	2.9%	4.2%	7.7%
RoCE (u/lying FCF basis)	%	-1.5%	-2.6%	5.6%	4.4%
NAV per share	p	89.3	90.1	92.5	97.7
NTA per share	p	6.6	9.3	11.7	18.6

Investment case

H2 revenue +15% yoy, robust progress through FY24 (p8)

- FY24 revenue growth of +8% to £15.2m is in line with the +1% upgrade at the April trading update, with FY24 recurring revenue of 85%; following a strong start to FY25, we reiterate our FY25E revenue growth of +13% to £17.1m; and as management gains greater certainty on the potentially transformational opportunities in the US, UK managed hospitality venues, forecourts, and new verticals, we will introduce FY26E forecasts by H1 results in December.
- FY24 gross profit grew +11% yoy to £10.4m at a gross margin of 69% vs 66% in FY23, as the group continued to benefit from the easing of global semiconductor shortages and realised cost efficiencies in Smart Zones; we reiterate our FY25E gross profit growth of +14% to £11.9m at a gross margin of 70%; and as the software platform scales and incremental recurring revenue grows, we continue to expect gross margin will increase to over 70% in the medium term.
- FY24 adjusted EBITA growth of +12% to £3.5m is in line with the +2% upgrade at the trading update, and includes £0.5m of cost from the May 2023 Beverage Metrics acquisition; and we reiterate our FY25E adjusted EBITA growth of +34% to £4.6m, as we expect both divisions will deliver strong growth through FY25E.
- A strong focus on cash has delivered FY24 EFCF of +£2.1m, which is +£0.1m ahead of the +£0.6m upgrade at the trading update; FY24 net debt of £1.5m is in line with the +£0.6m upgrade at the trading update; the proposed FY24 DPS of 0.75p is +25% ahead of our previous FY24E of 0.60p; and we reiterate our FY25E EFCF and net cash, then upgrade our FY25E DPS +29% to 0.90p from 0.70p.
- Following FY results, we summarise the changes to our forecasts in the table on p15.

Valuation (p16)

- Vianet's Cavendish Tech 40 and Next 50 peers are trading on 12-month forward multiples of 2-3x EV/Sales with +9-11% NTM Sales growth, 12-14x EV/EBITDA with +5-19% NTM EBITDA growth, and 3-4% EFCF yields.
- We value Vianet at 210p based on 13x FY25E EV/EBITDA, and it currently trades on FY25E multiples of 2x EV/Sales with Sales growth of +13%, EV/EBITDA of 6x with EBITDA growth of +29%, and an EFCF yield of 6%.

Management, board, and major shareholders (p18)

- Vianet's major shareholders include the CEO & Chairman owning over 17%, and a range of institutional investors.
- Vianet benefits from a strong leadership team and board, with extensive experience of technology, hospitality, vending, and public markets.
- Our Vianet Need to Know table on p19.

Vianet's complementary divisions

Smart Zones hospitality division

- As the integrated Beverage Metrics software platform scales, we expect Smart Zones will deliver strong financial growth through expanding into new segments of the UK hospitality market, expanding in the US and Europe, and expanding into adjacent verticals.

Solutions & technology

- The Smart Zones division (c55% of FY24 group revenue) provides integrated software and hardware solutions that enable hospitality venues to:

- ▶ Track core beer flow, drinks, and customer payments data from numerous devices.
- ▶ Analyse a wide range of data points on a single cloud-based platform.
- ▶ Leverage the platform to enhance the efficiency of their operations.
- The solutions include:
 - ▶ **Flow meters** – Vianet’s flow meters are installed within beer lines in hospitality venues such as pubs, clubs, hotels, and restaurants, and enable customers to collect real-time data and insights on every drink poured from each tap. The existing Intelligent Flow Meter (IFM) device collects data on a range of indicators such as beer flow, temperature, fluid density, and line cleaning regimes, to establish the effectiveness and efficiency of the beer operation. Further technology investment in temperature and line cleaning systems is enabling Vianet to deploy its standard flow meter, which reduces the entry cost for customers, and will support new customer wins across each of the group’s target markets.
 - ▶ **Communications hub and payment systems** – Vianet’s 4G LTE communications hub enables one device to collate data from numerous data-gathering devices such as flow meters, inventory trackers, payment systems, and utility meters, then communicates the data onto Vianet’s cloud-based platform. The communications hub is compatible with both Vianet and third-party devices, which enables Vianet’s platform to collect and analyse a wide range of data to provide insights.
 - ▶ **Cloud-based software platform** – Vianet has developed proprietary software to process the data collected, then present actionable insights so that customers can enhance their operational effectiveness, efficiency, and profitability. The iDraught platform was launched in 2008, and was focused upon optimising pouring yield, temperature, waste management, and till yield/EPOS shrinkage. Following re-engineering to reduce hardware costs and improve the user experience, **SmartDraught** was launched in Q4 23, and Vianet is focused on scaling the modular platform, which enables customers to manage more areas of their premises through the SmartInsight dashboard, adds new features, and increases the appeal of Vianet’s platform to independent owners, managed venues, and brands. Integrating the leading beverage inventory platform acquired in the May 2023 Beverage Metrics acquisition, with Vianet’s draught beer module, then creates a comprehensive drinks management solution branded **Beverage Metrics**, and has fast-tracked the hospitality product roadmap by c18 months.

The platform readily integrates through APIs into other software systems, and is cloud-based in Microsoft Azure after Vianet completed its transition to the cloud in May 2022. Existing iDraught customers will be able to convert to Beverage Metrics as its capabilities continue to expand, and management will focus on selling Beverage Metrics into new venues in the independent and managed segments of the UK market, the US, and developing Brand insights. The Beverage Metrics drinks inventory solution is highly scalable as it can be sold stand-alone, implemented, and maintained without needing to visit the premises. Management is also currently seeing an increased appetite from brewers for market data insights following the integration of Beverage Metrics and the Smart Insights portal, and expects to show further growth in this area through FY25.

Total addressable market and market share

- The core market for Smart Zones is the leased and tenanted sub-sector of the UK hospitality market:
 - ▶ Leased and tenanted venues, such as pubs, are operated by individual tenants for corporate landlords, which are typically pub companies. Vianet’s strength in this segment reflects the group’s original focus on monitoring the volume and quality of drinks served by tenants for pub companies, in managing compliance of the beer tie.
 - ▶ There are currently c12k leased venues within the UK hospitality market, which compares to Smart Zones predominantly UK customer base of c10k. Since 2008 the number of UK leased venues has declined from c19k, which has impacted the Smart Zones customer base given Vianet’s strength in the segment.
- We are not aware of any competitors for Smart Zone’s core solutions in the UK hospitality market, and there are many venues operating without a solution, as operators focussed

Robust progress through FY24, FY25E forecasts reiterated

investment in other areas rather than draught beer monitoring despite the attractive return on investment. However, cost of living pressures are stretching price increase elasticity for operators in the hospitality sector, which makes the performance and productivity gains available from Vianet increasingly attractive.

- As Vianet expands the capabilities of the Beverage Metrics platform, we expect Vianet **will increase its UK total addressable market by c4x**, through targeting the c29k company-owned managed, and individually owned independent, hospitality venues in the UK.
- We also expect the greater range, volume, and quality of data collected by Beverage Metrics will increase the data insights that the platform can provide to major drinks and TV companies, and enhance their understanding of market, regional, and site performance. Vianet's initial work with the Oxford Partnership has already led to promising traction from brands buying yearly subscription data.
- Beyond the UK, Vianet has developed US and European operations, including through the acquisition of Beverage Metrics in the US, where it can initially target over 50k bars and chains in the c380k addressable market. As Beverage Metrics scales, we expect management will focus on expanding the US operations, where it already has several leads with major US chains and unique market access through the relationship with Fintech.
- Beyond the hospitality market, Smart Zones' technology is applicable to numerous fields where the flow, quality, and/or temperature of liquids can be monitored to enhance operations. Management is pursuing opportunities including catering, forecourts, and oil & gas, and we note that the modular design of the proprietary platform will enable agile customisation for applications in new fields. Successful scaling of Smart Zones into new verticals could drive transformational revenue growth for the group, while further diversifying the revenue mix from Smart Zones and Smart Machines.

Smart Machines

- We expect Smart Machines will scale by winning new customers and expanding with existing customers, as its differentiated solutions and the evolving SmartVend platform, will capitalise on the global opportunity to upgrade unattended retail vending and coffee machines.

Solutions & technology

- The Smart Machines division (c45% of FY24 group revenue) provides integrated software and hardware solutions to enable owners of unattended retail machines to:
 - ▶ Collect digital payments from customers.
 - ▶ Track product and payments data on a single cloud-based platform.
 - ▶ Leverage the platform to enhance the efficiency of their operations.
- It is complementary to Smart Zones, and features:
 - ▶ **Contactless payment devices** – To enable payments for unattended vending machines, Vianet has developed contactless payment devices that facilitate payments with the most secure PCI level 1 compliance, and that transfer funds into an owners account within 24 hours. It is supported by leading industry partners Elavon, Worldpay, and NMI, and benefits from the PCI Master Merchant service, which speeds up the onboarding of customers and enhances the cost-effectiveness of the payment process for customers. The SmartContact Pro All-In-One device also features a touch screen display, and integrated telemetry capabilities.
 - ▶ **Telemetry devices** – Vianet's telemetry devices are easy to install, can be installed on virtually any machine, and offer both LAN and SIM capabilities so that they can connect to a network in many locations. They transmit real-time and granular inventory, sales, and payment data through firmware that securely encrypts all data. Customers can then remotely view and analyse a wide range of data on the SmartVend software platform.

Cloud-based software platform – The **SmartVend** platform was developed and launched in 2020, and enables customers to optimise their operations through data-driven, actionable insights. The platform's capabilities are expanding in phases, with the vending management software service module released in Q3 23, and the finance module released in 2024.

Management is expecting the migration to SmartVend to be completed in FY25, with functionality ranging from insights into machine efficiency and product/stock success, to analysing payments data and exporting it through APIs, to scheduling engineer routes to minimise the carbon footprint and boost profitability. The platform is cloud-based following the group's migration to the cloud in May 2022, and management is developing more cloud-native features to enable customers to maximise the value of the data collated by the platform. The feature-rich new platform and already award-winning solutions create a strong selling proposition, and we look forward to developments that can further differentiate SmartVend, drive new customer wins, and deliver strong financial growth.

Total addressable market and market share

- Smart Machines is currently focused on the UK and Europe. The FY24 footprint of c36k machines compares to c300k machines in the UK, a further 3m machines in mainland Europe, and c15m machines worldwide.
- As c30% of global machines currently have connectivity, there is ample scope for Vianet to win new contracts from existing and new customers, as they upgrade machines from cash to contactless technology, and recognise how data insights can enhance their performance. Future Market Insights highlights global market growth in intelligent vending machines from \$10.6bn in 2022 to \$37.3bn in 2032, and the global coffee machine market is expected to scale to \$11bn by 2027.
- Within the market, Smart Machines already works with major customers such as Compass, Jacobs Douwe Egberts, and Lavazza, who signed a [new 3 year contract in January 2022 for Vianet's solutions in 3,000 units in Lavazza's UK managed estate, and preferred supplier access to a further 10,000 machines in Lavazza's direct estate](#).
- The Lavazza contract followed a rigorous tender process, and Smart Machines is able to differentiate from peers due to the:
 - ▶ **Investment in facilitating payments**, where it is PCI level 1 compliant, and can offer faster payment terms than peers such as Nayax, which is a Nasdaq-listed, Israel-based competitor.
 - ▶ **Investment in the integrated SmartVend**, with Vianet being able to offer customers an increasingly capable software suite that enables the management of stock levels, service schedules, payments, and finance/accounting from one platform. Smart Machines has the only independent, fully owned, end-to-end solution that we are aware of in the group's markets, and following expansion of the platform's capabilities through FY24, we expect Vianet's momentum with new and existing customers will continue to build through FY25.
 - ▶ **Investment in support**, with Vianet leading the way with established in-house customer experience, engineering support, and field service teams who back up the Group's focus on being the trusted advisor for customers.
- We expect Smart Machines will expand in Europe and other global markets in the medium term. The modular SmartVend platform will support the division scaling into new markets, as it can be easily customised to accommodate new currencies, features, and languages.
- We also expect that management will continue to explore opportunities in adjacent markets such as car washes, charging points, ticket machines, laundromats, arcade games, and photobooths, and note that the SmartVend platform and existing hardware readily facilitate expansion into these verticals. The [November 2022 partnership with Suresite](#) and [March 2023 partnership with Vendekin](#) will also accelerate Vianet's expansion into these new markets, including the:
 - ▶ October 2023 win to supply established forecourt retailer, Rontec, with c850 Trio IQ Smart Contact Pro solutions, in partnership with Suresite.
 - ▶ [April 2024 customer win with Wilcomatic](#), which is the UK's leading provider of commercial vehicle wash systems for petrol forecourts, where Vianet and key partner Suresite secured a 5-year agreement to deploy Vianet's contactless payment solution.

Structural position

- The complementary Smart Zones and Smart Machines divisions benefit from:
 - ▶ **High switching costs** – The upfront costs to install Vianet’s equipment leads to very low levels of churn of less than 2% in both divisions from a revenue perspective, excluding premises or machines that have closed down. As Vianet continues to expand the capabilities of Beverage Metrics and SmartVend, we expect the functionality of the software platform will further increase the costs of switching to an alternative and inferior solution, and enhance customer retention.
 - ▶ **Early mover advantage and strong reputation** – Through providing beer flow monitoring to hospitality customers for over 20 years, and supporting vending customers migrate to digital solutions for over 10 years, the group has developed a deep understanding of customers, and focused investment to meet and exceed their needs. The [2022 and 2023 Vending Industry Awards that SmartVend won for ‘Best Payment System’](#) highlight that the group’s expanding solutions are already resonating with customers.
 - ▶ **Proprietary technology** – Throughout the disruption caused by COVID-19, management continued to invest in developing the group’s software and hardware. The PCI level 1 compliance of the payments system and the expanding capabilities and insights of the software platform are not matched by peers, and we expect that investment in the platform will drive new customer wins in new and existing segments in the coming years.
 - ▶ **Platform economies of scale** – Following the group’s migration into the cloud in May 2022, and the ongoing expansion of Beverage Metrics and SmartVend, the group is only at the start of realising platform economies of scale. As momentum continues to build in the coming years, we expect the software platform will drive greater levels of high gross margin SaaS revenue, which will drive strong growth in EBITDA and cash.
 - ▶ **Strategically valuable data** – Following the upgrades to SmartVend and Beverage Metrics, Vianet can aggregate the data flowing through its cloud-based platform, and provide insights to customers, industry bodies, governments, and other stakeholders. We expect the initial relationship with the Oxford Partnership will only be the start of an attractive revenue stream, which will further enhance the group’s reputation, and potentially increase the group’s value as part of a larger platform.

Catalysts

- We look forward to Vianet demonstrating strong operating and financial momentum through FY25, material new customer wins and/or partnership agreements in existing and new verticals, and attractively valued M&A opportunities.
- For example, the strategic move into unattended retail petrol forecourts could be followed by new customer wins from several live commercial trials. Vianet has now established a beachhead with the October 2023 order announcement with Rontec, and the April 2024 announcement with Wilcomatic, which is the UK’s leading provider of commercial vehicle wash systems for petrol forecourts.

H2 revenue +15% yoy, robust progress through FY24

FY24 revenue growth of +8% to £15.2m is in line with the +1% upgrade at the April trading update, with FY24 recurring revenue of 85%; following a strong start to FY25, we reiterate our FY25E revenue growth of +13% to £17.1m; and as management gains greater certainty on the potentially transformational opportunities in the US, UK managed hospitality venues, forecourts, and new verticals, we will introduce FY26E forecasts by H1 results in December

In FY24, group revenue grew +8% yoy to £15.2m, with Smart Zones +6% yoy to £8.6m, and Smart Machines +10% yoy to £6.6m. Within the divisions:

- **Smart Machines** secured 73 new customer contracts wins with lengths of 3-5 years, including key long-term contract wins and renewals with Baxter Storey, The Vending People, and Compass. The division delivered 8.9k new connected machines vs 6.6k in FY23, which included the impact of customers initially delaying H1 24 orders, as they planned for the UK mobile network operators switching off 3G networks from 2024. Vianet's proactive support in transitioning customers from 3G to 4G has transformed the initial challenge into a sales catalyst in H2, and the company is now not only upgrading its existing customer base, but also capturing new business by replacing competitors' 3G units with Vianet's advanced 4G LTE solutions, predominantly on 5-year contracts.

The division is also successfully expanding into complementary new verticals, including forecourt retailers, following the:

- **October 2023 win with Rontec to supply c850 Trio IQ Smart Contact Pro solutions** in partnership with Suresite, after the [November 2022 partnership with Suresite](#).
- **April 2024 customer win for c1,200 devices with Wilcomatic**, which is the UK's leading provider of commercial vehicle wash systems for petrol forecourts. After a comprehensive evaluation, Vianet and key partner Suresite secured a 5-year agreement to deploy Vianet's contactless payment solution, with upsell potential in the UK and new geographies.

- **Smart Zones** achieved 3 new long-term contracts, renewed 8 existing contracts, and experienced a deceleration in the closure rate of pubs within the core UK leased and tenanted base, with a net decrease of 194 sites after 344 sites in FY23, leading to a UK base of c9.6k. The acquisition of Beverage Metrics in May 2023 has then added an established inventory operating platform, patents for barcode 3D scanning, and advanced capabilities for point-of-sale data integration. The subsequent integration of Vianet's draught beer solution and Beverage Metrics has created a comprehensive beverage management solution, which has accelerated the hospitality product roadmap by 18 months, and can accelerate growth in existing and new UK segments.

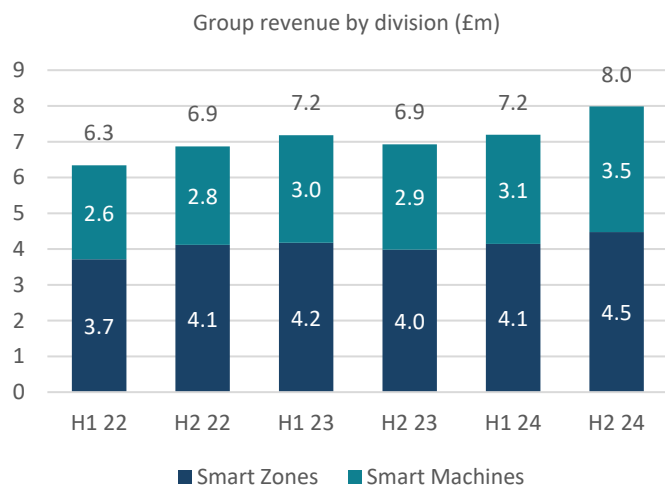
The acquisition of BMI has also strengthened the division's foundation in the US, including by facilitating a partnership with Fintech, which is a prominent alcohol procurement provider in the US. Following very encouraging engagements with leading US brands, there are currently several commercial opportunities at advanced stages, and the shared stand with Fintech at the National Restaurant Association show in Chicago in May 2024 has generated additional, promising sales leads. We expect the integrated platform will drive robust US expansion through FY25 and beyond, and management are committed to establishing a significant US profit centre, with monthly losses expected to narrow significantly by the end of FY25E.

The outlook highlights that FY25E has started strongly, with a robust pipeline of opportunities expected to deliver strong growth in revenue and profit across both divisions.

At this point, we reiterate our FY25E revenue forecast of +13% to £17.1m, as Vianet scales numerous attractive opportunities across the UK, Europe, and US. As management then gains greater certainty on the potentially transformational opportunities in the US, UK managed hospitality venues, forecourts, and new verticals, we will introduce FY26E forecasts by H1 results in December.

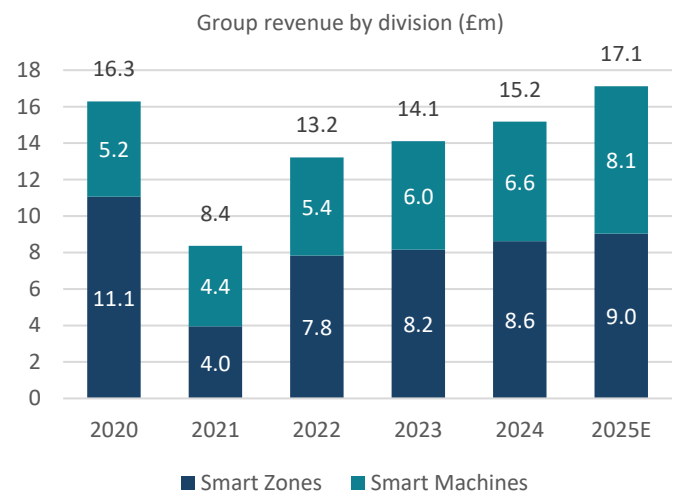
Robust progress through FY24, FY25E forecasts reiterated

Figure 1: Smart Zones and Smart Machines delivered robust H2 24 growth of +12% and +19% yoy, after -1% and +1% yoy in H1 24 respectively



Source: Cavendish

Figure 2: We reiterate our FY25E growth of +13% to £17.1m at this point, and as management gains greater certainty on multiple opportunities, we will introduce FY26E by H1 results



Source: Cavendish

Underlying the FY24 performance, the group's revenue benefits from both divisions generating recurring revenue from contracts with a typical duration of 3-5 years, and equipment revenue to cover the costs of Vianet installing equipment within a premises or on a machine. Revenue is split with:

- **85% from recurring revenue in FY24** – Vianet's recurring revenue includes contracts for service packs, licenses, contracted data provision, compliance contracts, and rentals. The strong growth in connected device installations by Smart Machines has driven recurring revenue for the division to 74% of FY24 revenue, while recurring revenue for Smart Zones was 94% in FY24.

As Smart Machines and Smart Zones win new customers in the coming years, we expect recurring revenue will remain over 80%, while Vianet initially installs capital-based equipment for new customers. The greater installed base will then fuel growth in contracted recurring revenue in the medium term, especially as the Beverage Metrics and SmartVend platforms add more value for customers, and enable the group to scale SaaS revenue.

We note that the decline in recurring and group revenue in FY21 was due to Vianet voluntarily agreeing to support Smart Zones customers with contract variations through the mandatory lockdown periods of the pandemic, by reducing service fees by up to 70%. The 3-5 year contracts with customers remained in place, and Smart Zones then returned to billing customers 100% in the following years.

- **Over 90% generated in GBP** – Most customers pay for their solutions in GBP, with some small customers in the US and Europe paying in USD and EUR. As the group scales in the US following the acquisition of Beverage Metrics, we expect an increase in the number of customers paying in USD, and note that Vianet will naturally hedge the USD revenue through the increase in USD opex to drive US growth.
- **Only two customers accounting for over 10% of group revenue** – In FY24, two Smart Zones customers individually accounted for over 10% of group revenue, and combined they generated £3.9m or 26% of FY24 revenue. In FY23 the same two customers also accounted for £3.7m or 26% of FY23 revenue, and both customers only moved above 10% of group revenue in FY22, after only one Smart Machines customer accounted for over 10% of group revenue in FY21. As both Smart Zones and Smart Machines scale in the coming years, we expect the group will move to no customers accounting for over 10% of group revenue, unless there is a contract win to install a large number of devices upfront.

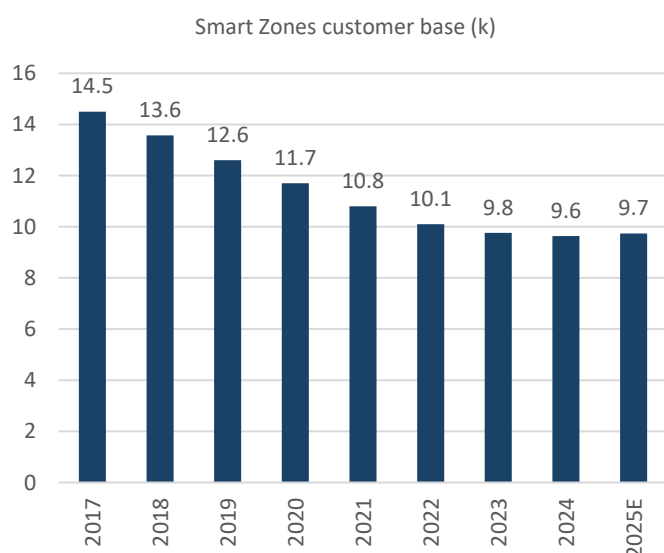
To drive our group revenue forecasts, we model the KPIs for each division, and split the revenue between recurring and installation.

Robust progress through FY24, FY25E forecasts reiterated

Within Smart Zones, we expect that the scaling of Beverage Metrics will drive a return to growth in the number of premises in FY25E, as the enhanced proposition will enable Vianet to expand into UK independent and managed venues, and the US. Importantly, we also expect the division's core leased and tenanted market is likely to now be near a sustainable level, after the decline in the segment has been responsible for the decline in the Vianet customer base since 2016.

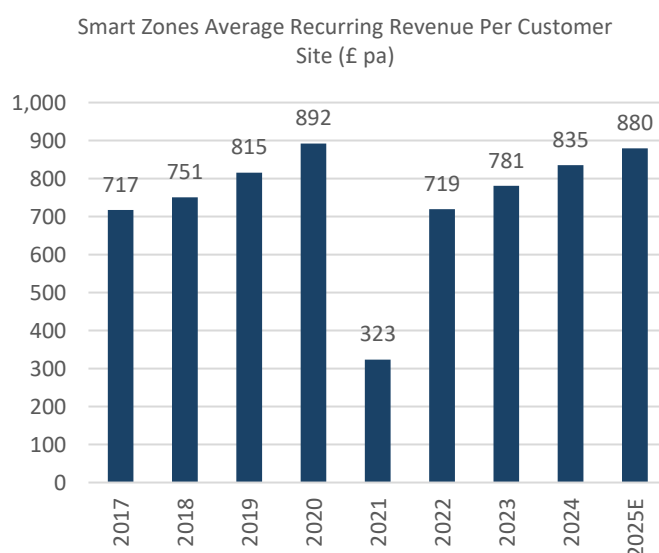
In our forecasts for Average Recurring Revenue Per Customer Site (ARRPC), we conservatively do not include an increase beyond the ARRPC generated by the group in FY20. As the capabilities of Beverage Metrics create more value for customers, we expect management is likely to have the opportunity to increase software pricing, which will generate a higher level of high gross margin SaaS revenue, strong operational gearing, and upside to our forecasts.

Figure 3: We expect expansion into the US, and the UK managed and independent segments, will deliver a return to growth in FY25E, after UK leased and tenanted venues closing has impacted the Smart Zones customer base since 2016



Source: Cavendish

Figure 4: We conservatively assume that ARRPC does not return to FY20 levels, and expect that the expanding capabilities of SmartDraught following the integration of Beverage Metrics, will create opportunities to increase ARRPC



Source: Cavendish; Note we derive Average Recurring Revenue Per Customer Site by estimating the average customer base over the period

Within Smart Machines, we expect the award-winning solutions will continue to win new customers and expand with existing customers, which will drive robust growth in the number of connected machines from 36.1k in FY24 and 33.9k in FY23. We note that at FY24 results, the disclosure has switched to focus on connected machines instead of connected devices, and we will include the historic connected machine data when available.

Similarly to Smart Zones, we expect the increasing capabilities of SmartVend will drive strong growth in the Average Recurring Revenue Per Connected Machine (ARRPCM), as customers recognise the value of the new modules being deployed within the platform.

FY24 gross profit grew +11% yoy to £10.4m at a gross margin of 69% vs 66% in FY23, as the group continued to benefit from the easing of global semiconductor shortages and realised cost efficiencies in Smart Zones; we reiterate our FY25E gross profit growth of +14% to £11.9m at a gross margin of 70%; and as the software platform scales and incremental recurring revenue grows, we continue to expect gross margin will increase to over 70% in the medium term

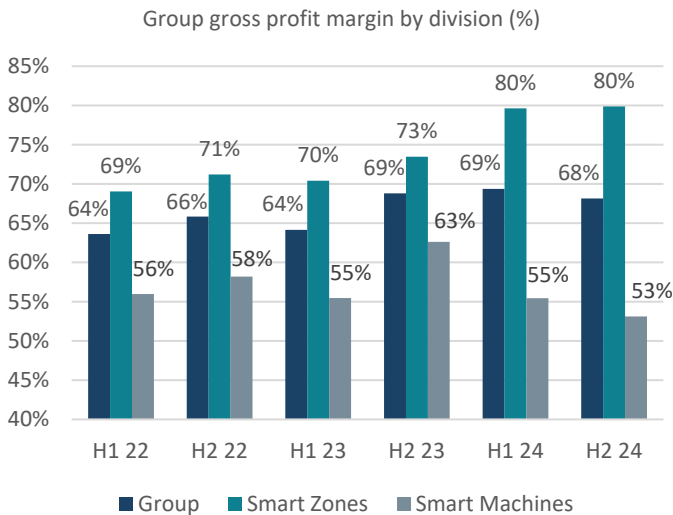
FY24 gross profit grew +11% yoy to £10.4m at a gross margin of 69% vs 66% in FY23, as the continued easing of global semiconductor shortages and supply chain disruption supported equipment costs continuing to normalise, and management realised cost efficiencies within the Smart Zones division.

Since 2020 the group's gross margin has been impacted by the global semiconductor shortage, particularly in Smart Machines, where gross margin fell from over 70% in FY19 to c50-60% from FY21. To mitigate the impacts, management strategically focused on offering attractive equipment

Robust progress through FY24, FY25E forecasts reiterated

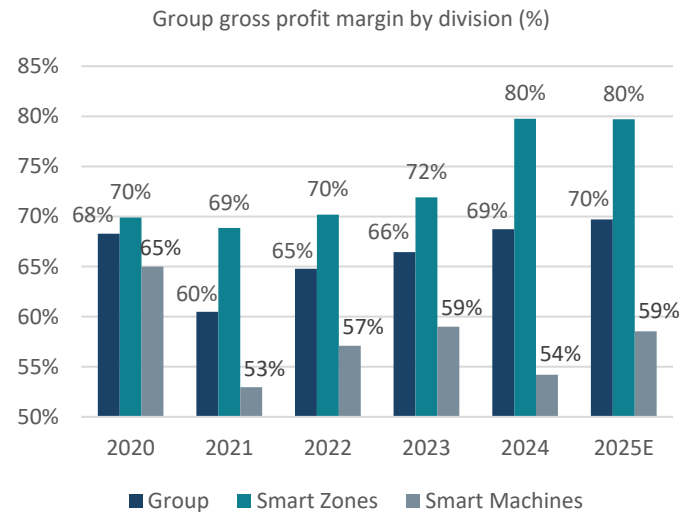
pricing to core customers to scale the recurring revenue footprint, and deliver the platform's medium-term potential.

Figure 5: The group's gross profit margin has been impacted by increased equipment costs, and from H1 24, gross margin benefitted from efficiencies within Smart Zones



Source: Cavendish

Figure 6: We expect group gross margin of c70% in FY25E, and expect that an increase in higher gross margin software revenue will drive gross margin to over 70% in the medium term



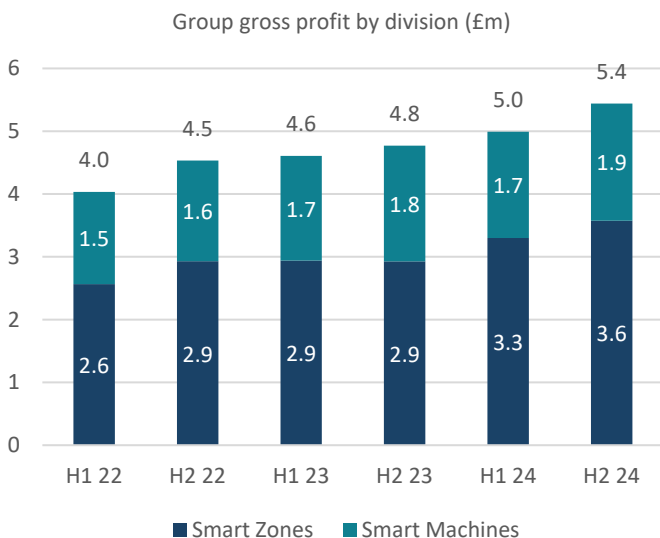
Source: Cavendish

In response to any future pressures, we expect management will continue to opportunistically source chips, and strategically choose to either continue pricing to expand the recurring revenue footprint, or pass through costs to customers.

In FY25E, we expect gross margin will remain at c70%, as more equipment is installed to drive future recurring revenue. As the group can then scale the contribution of recurring revenue from its software, we expect the gross margin will increase to over 70% in the medium term.

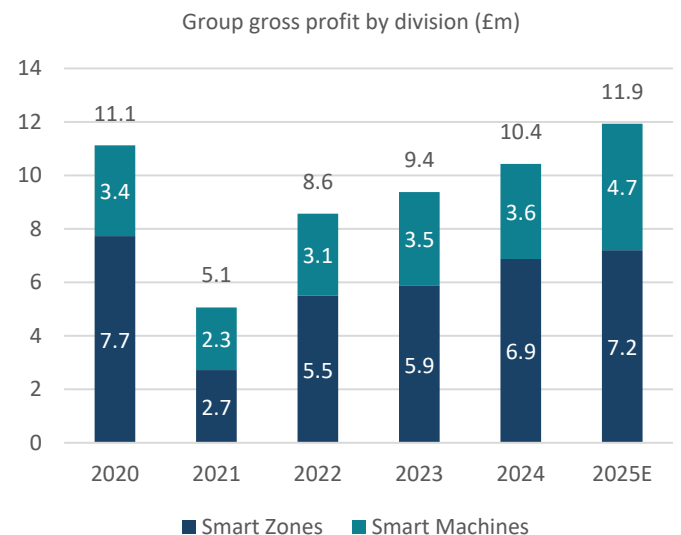
We note the main costs included in the group's gross profit are the costs of hardware, engineer installation and customer support costs, and the payments system costs within Smart Machines.

Figure 7: Efficiencies within Smart Zones drove H2 24 group gross profit to £5.4m, or the highest level since H1 21, with Smart Machines gross profit reflecting high levels of installs in H2



Source: Cavendish

Figure 8: We expect FY25E gross profit will scale to surpass FY20 gross profit of £11.1m, with Smart Machines benefitting from the greater installed base at FY24



Source: Cavendish

Robust progress through FY24, FY25E forecasts reiterated

FY24 adjusted EBITA growth of +12% to £3.5m is in line with the +2% upgrade at the trading update, and includes £0.5m of cost from the May 2023 Beverage Metrics acquisition; and we reiterate our FY25E adjusted EBITA growth of +34% to £4.6m, as we expect both divisions will deliver strong growth through FY25E

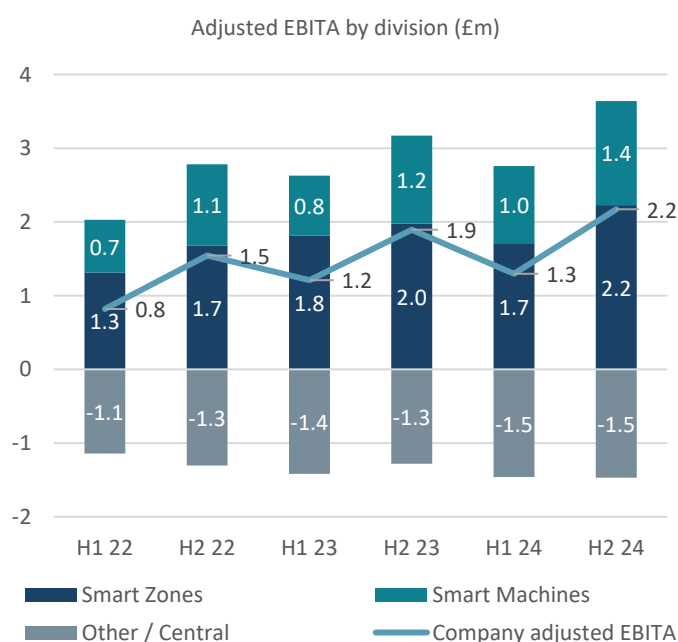
FY24 adjusted EBITA grew +12% yoy to £3.5m, as the increase in gross profit combined with selective opex investment across the divisions. The FY24 figure also includes £0.5m of support for the May 2023 acquisition of Beverage Metrics within a combined US adjusted EBITA loss of £0.4m, and monthly losses from the US operations are expected to narrow significantly by the end of FY25E.

Continued investment in technology enabled the launch of the SmartVend finance module in 2024, the successful integration of SmartDraught and BMI, the launch of the SmartInsight market insight portal, and the successful evolution of the platform into forecourts.

Across the group, employee turnover decreased to 1.7% in FY24 from 3.8% in FY23 (including employees leaving as a result of business rationalisation activity), which reflects management's focus on re-energising the operations following the impacts of COVID-19. Including Smart Machines benefitting from a new CRM system, the strengthened sales and marketing team then delivered over 80 new contract wins across the group in FY24, while building a robust pipeline for FY25 and beyond.

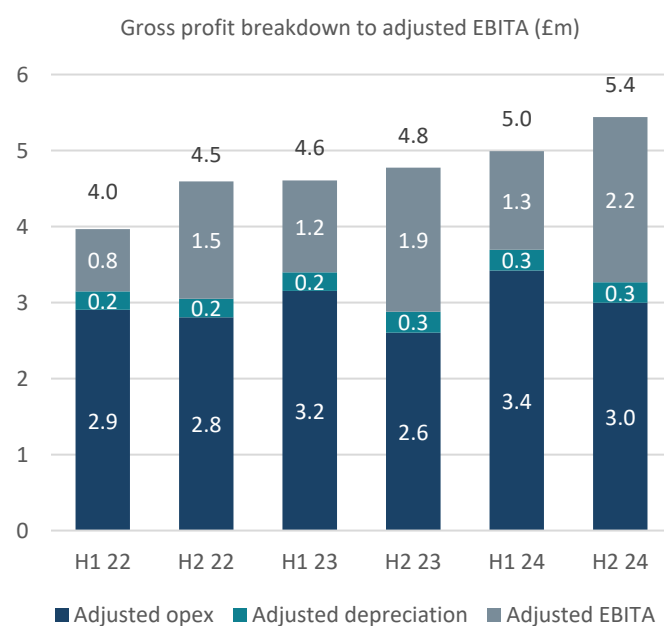
The outlook highlights that both divisions are expected to deliver strong growth in profit in FY25E, and following a strong start to the year, we reiterate our FY25E adjusted EBITA growth of +34% to £4.6m at this point.

Figure 9: H2 24 adjusted EBITA of £2.2m represents the highest period of adjusted EBITA since FY20



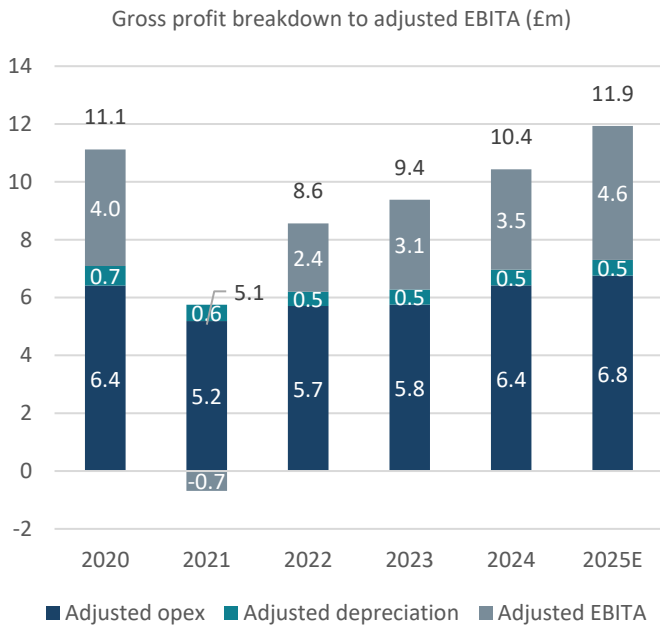
Source: Cavendish

Figure 10: FY24 adjusted EBITA includes £0.5m of support for the acquisition of Beverage Metrics in May 2023



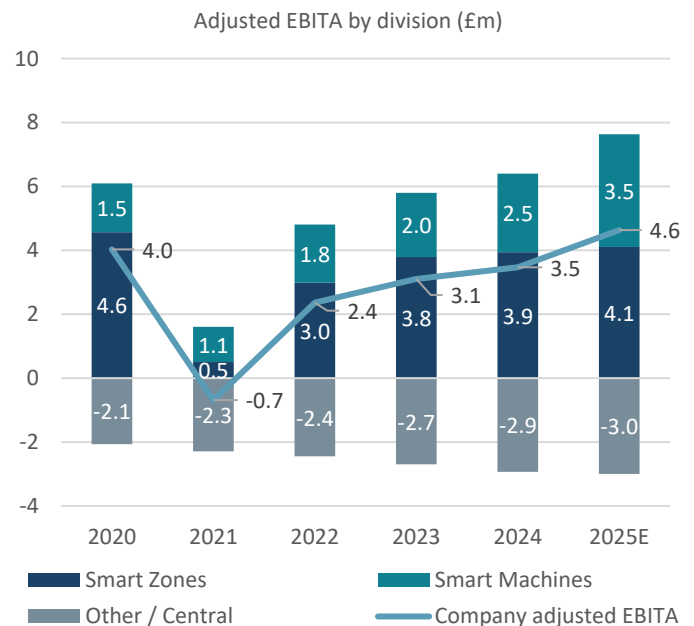
Source: Cavendish

Figure 11: After reducing opex in response to COVID-19, we expect selective investment to capitalise upon numerous opportunities across the divisions



Source: Cavendish

Figure 12: We reiterate our FY25E adjusted EBITA growth of +34% to £4.6m, with the losses from the US operations expected to significantly narrow from -£0.4m in FY24



Source: Cavendish

A strong focus on cash has delivered FY24 EFCF of +£2.1m, which is +£0.1m ahead of the +£0.6m upgrade at the trading update; FY24 net debt of £1.5m is in line with the +£0.6m upgrade at the trading update; the proposed FY24 DPS of 0.75p is +25% ahead of our previous FY24E of 0.60p; and we reiterate our FY25E EFCF and net cash, then upgrade our FY25E DPS +29% to 0.90p from 0.70p

The main delta between EBITDA and EFCF relates to changes in working capital, capex, tax, and interest, as Vianet operates with gross debt of £1.5m at FY24.

In response to the impacts of the pandemic in FY21, management took strong measures to manage the group's working capital and protect the group's cash, and in our forecasts we assume less than £1m of working capital cash outflows as the group invests in inventory and scales revenue.

Since 2020, management has strategically invested c£2.4-3.0m in capex, including £1.9-£2.3m of development costs to migrate to the cloud and upgrade the software platform. Following this period of investment, we expect capex will moderate to c£2.2m pa, as the group selectively invests to win new customers and to drive revenue growth on the platform.

After the group received a £0.9m tax refund in H1 24, the remaining c£2m of tax losses and R&D tax relief lead us to expect c£0.3m of cash tax in FY25E at this point, with management focused on utilising the available tax losses carried forward into FY25.

We then include £0.3m pa of interest payments, with the group benefitting from the banking facilities moving to HSBC in August 2023. The +£0.35m of recovered costs included within FY24 exceptionals relates to a previous historic matter that is the subject of a confidentiality agreement.

Robust progress through FY24, FY25E forecasts reiterated

Figure 13: H1 24 EFCF of +£1.2m included +£0.9m of tax refund, and the H2 24 +£0.2m cash exceptional includes +£0.35m from a previous historic matter

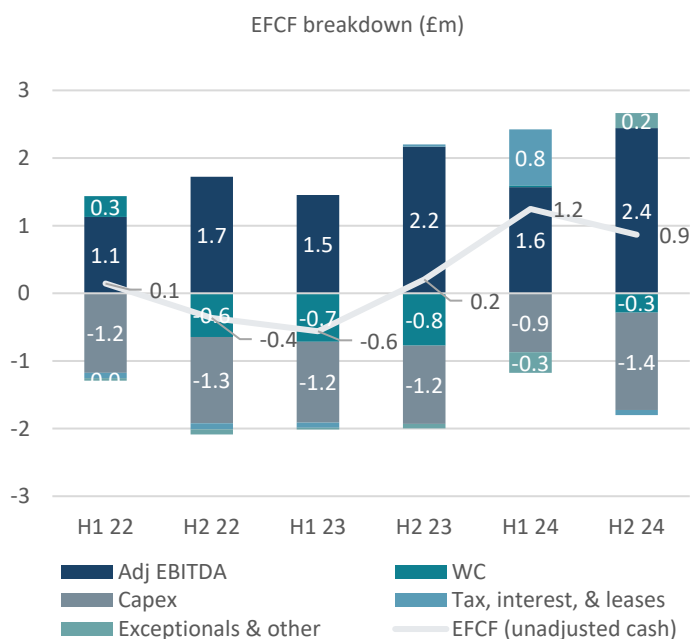
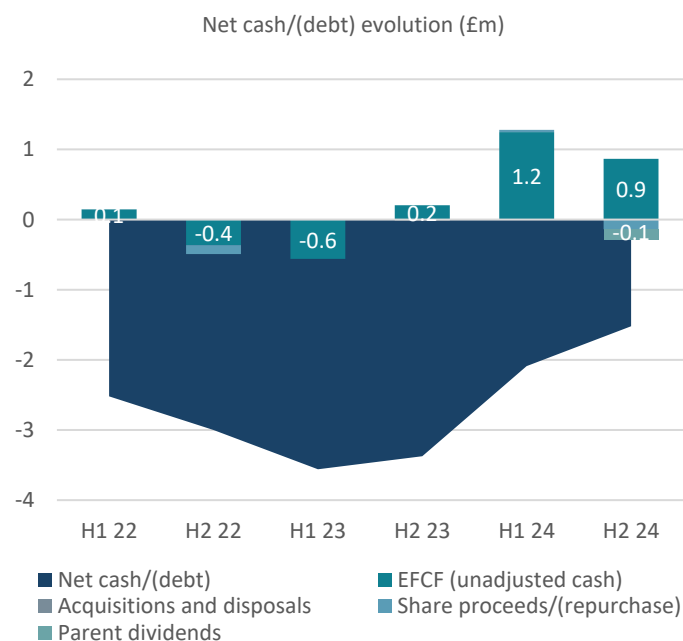


Figure 14: FY24 net debt increased to £1.5m from £2.1m at H1 24 and £3.4m at FY23, and the group acquired Beverage Metrics for an initial £0.6m in shares in May 2023



Following the return of a 0.5p dividend at FY23 results in June, the Board has proposed an increase in the FY24 dividend to 0.75p, which is +25% ahead of our previous forecast of 0.60p. The outlook then highlights that the Board will look to reinstate an interim dividend at the earliest opportunity, and we upgrade our FY25E DPS by +29% to 0.90p from 0.70p.

We also expect the Board will continue to monitor potential M&A opportunities such as Beverage Metrics, which was acquired in May 2023 for an initial £0.6m in shares at a price of 82.5p, and a deferred consideration of 7% of net revenue of Vianet Americas from April 2024-December 2028 in cash, capped at £4m.

Figure 15: FY24 EFCF of £2.1m included +£0.9m of cash tax following a tax refund, and including -£0.3m of cash tax in FY25E, we expect FY25E EFCF of £1.9m

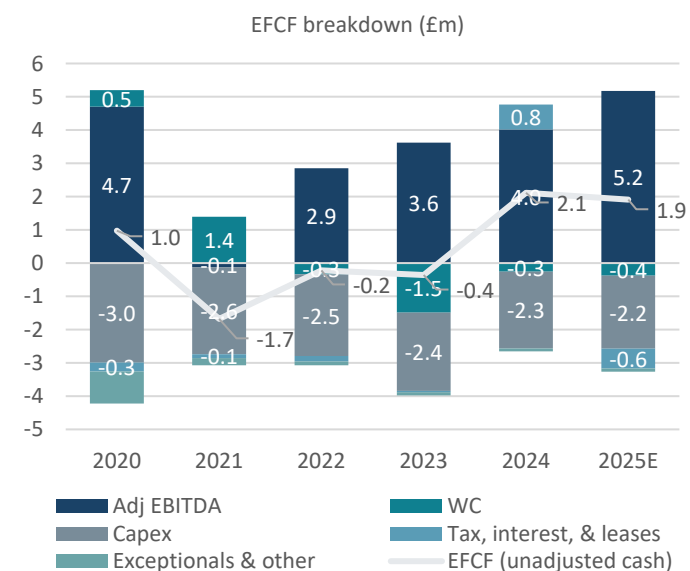
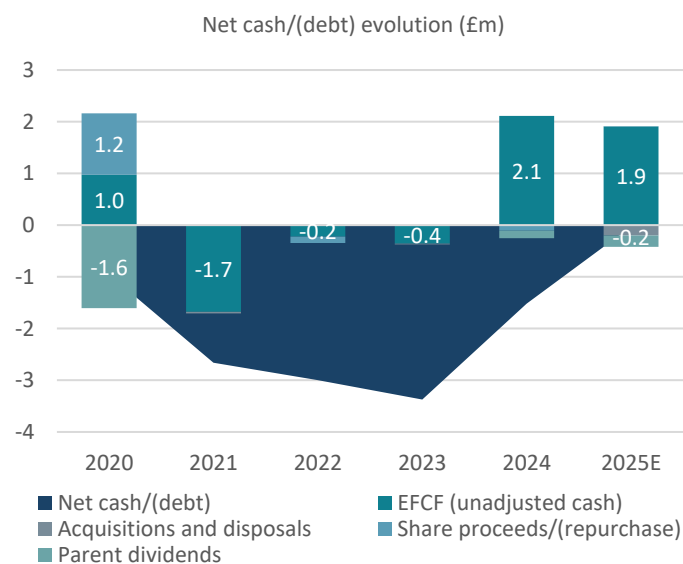


Figure 16: Following the proposed FY24 DPS of 0.75p, we upgrade our FY25E DPS by +29% to 0.90p, and continue to expect net debt of £0.0m at FY25E



Following FY results, we summarise the changes to our forecasts

Figure 17: Changes to our Vianet forecasts

		Diff			New			Prior		
		2023	2024	2025E	2023	2024	2025E	2023	2024	2025E
Smart Zones	£m	0.0%	0.0%	0.0%	8.2	8.6	9.0	8.2	8.6	9.0
Smart Machines	£m	0.0%	0.0%	0.0%	6.0	6.6	8.1	6.0	6.6	8.1
Group revenue	£m	0.0%	0.0%	0.0%	14.1	15.2	17.1	14.1	15.2	17.1
Group revenue growth	%				7%	8%	13%	7%	8%	13%
Gross profit	£m	0.0%	0.1%	0.0%	9.4	10.4	11.9	9.4	10.4	11.9
Gross profit growth	%				10%	11%	14%	10%	11%	14%
Gross margin	%				66%	69%	70%	66%	69%	70%
Adj opex	£m	0.0%	0.0%	0.0%	-5.8	-6.4	-6.8	-5.8	-6.4	-6.8
Adj EBITDA	£m	0.0%	0.2%	0.0%	3.6	4.0	5.2	3.6	4.0	5.2
Adj EBITDA growth	%				27%	11%	29%	27%	11%	29%
Adj EBITDA margin	%				26%	26%	30%	26%	26%	30%
Adjusted EBITA	£m	0.0%	-0.1%	0.0%	3.1	3.5	4.6	3.1	3.5	4.6
Reported EPS (diluted)	p	0.0%	98.4%	0.0%	0.6	2.7	5.7	0.6	1.4	5.7
Adjusted EPS (diluted)	p	0.0%	4.1%	0.0%	2.2	3.5	6.2	2.2	3.3	6.2
DPS	p	0.0%	25.0%	28.6%	0.5	0.8	0.9	0.5	0.6	0.7
EFCF (unadjusted cash)	£m	0.0%	7.9%	0.0%	-0.4	2.1	1.9	-0.4	2.0	1.9
Net cash/(debt)	£m	0.0%	-0.2%	nm	-3.4	-1.5	0.0	-3.4	-1.5	0.0

Source: Cavendish

Valuation

Vianet's Cavendish Tech 40 and Next 50 peers are trading on 12-month forward multiples of 2-3x EV/Sales with +9-11% NTM Sales growth, 12-14x EV/EBITDA with +5-19% NTM EBITDA growth, and 3-4% EFCF yields

Figure 18: Valuation of Vianet's Cavendish Tech 40 and Next 50 peers (table shows 12-month forward multiples and growth rates of 12-month forward estimates vs the last 12 months; index and peer figures are median)

	Sec Ccy	Mkt Cap (£m)	EV/Sales	Sales Growth	EV/EBITDA	EBITDA Growth	P/E	EPS Growth	FCF Yield
Big Technologies	£	474	8.0	-1.9%	14.4	-6.0%	21.9	-7.1%	4.5%
Corero	£	69	3.0	12.8%	25.3	33.8%	nm	nm	2.2%
Intercede	£	68	4.9	-15.0%	24.3	-38.5%	31.0	-45.8%	2.5%
Microlise	£	152	1.6	13.0%	11.7	16.6%	24.4	23.6%	3.3%
Nexteq	£	91	0.8	3.4%	5.2	4.3%	9.5	2.8%	8.4%
Oxford Metrics	£	149	1.7	9.4%	8.4	12.2%	21.9	9.3%	6.2%
Quartix	£	77	2.3	7.4%	13.4	4.8%	18.7	0.4%	2.7%
Seeing Machines	£	196	3.2	33.0%	nm	nm	nm	nm	-0.7%
Thruvision	£	27	1.5	63.4%	nm	nm	nm	nm	-2.8%
Cav T40 & N50 integrated software & hardware peers		91	2.3	9.4%	13.4	4.8%	21.9	1.6%	2.7%
Bango	£	110	2.7	8.0%	8.6	53.7%	25.1	nm	1.1%
Boku	£	559	5.3	14.5%	15.9	19.2%	31.5	23.4%	3.9%
Eckoh	£	107	2.5	8.6%	9.3	9.7%	15.7	10.3%	5.5%
Fonix	£	228	2.6	8.6%	14.2	9.4%	22.6	5.4%	4.2%
PCI-PAL	£	44	1.8	16.4%	19.7	30.6%	nm	nm	-1.1%
Cav T40 & N50 payments peers		110	2.6	8.6%	14.2	19.2%	23.8	10.3%	3.9%
1Spatial	£	79	2.1	53.0%	12.3	16.3%	34.2	22.2%	0.8%
ActiveOps	£	72	2.1	7.3%			65.3	86.8%	
Auction Technologies	£	683	5.5	7.1%	11.9	6.8%	16.9	6.7%	6.4%
Cerillion	£	465	9.2	12.5%	21.2	10.9%	30.5	9.4%	2.6%
Celebrus	£	89	2.2	8.5%	11.5	10.0%	17.6	17.1%	5.5%
Eagle Eye	£	143	2.4	12.9%	10.6	20.3%	30.3	46.7%	2.2%
Eleco	£	94	2.5	15.2%	11.1	17.8%	21.6	22.1%	3.6%
ENGAGE XR	£	9	0.2	20.6%	nm	nm	nm	nm	-41.9%
essensis	£	18	0.8	-12.6%	8.0	nm	nm	nm	-2.6%
Tracsis	£	282	2.9	7.2%	14.0	10.9%	22.0	7.8%	4.7%
Cav T40 & N50 enterprise & specialist software peers		91	2.3	10.5%	11.7	10.9%	26.1	19.6%	2.6%
Cav Tech 40		298	2.6	8.6%	11.9	10.1%	22.7	9.2%	4.2%
Cav Next 50		44	1.5	8.6%	8.3	9.9%	17.6	1.6%	2.5%

Source: Cavendish

Robust progress through FY24, FY25E forecasts reiterated

We value Vianet at 210p based on 13x FY25E EV/EBITDA, and it currently trades on FY25E multiples of 2x EV/Sales with Sales growth of +13%, EV/EBITDA of 6x with EBITDA growth of +29%, and an EFCF yield of 6%

Figure 19: Vianet multiples at the current and target price, and Next Twelve Month (NTM) growth of the relevant financials

			FY25E		At current:		At target:	
			Growth		107p		210p	
					2024		2024	
					2025E		2025E	
Diluted Shares outstanding	m				29.7	31.0	29.7	31.0
Market cap (diluted)	£m				31.7	33.1	62.3	65.0
Net debt/(cash) inc leases	£m				1.8	0.3	1.8	0.3
Other EV adjustments	£m				0.0	0.0	0.0	0.0
Rolling Group EV	£m				33.5	33.4	64.1	65.3
Adj net cash/(debt) /share	p				-5.1	-0.1	-5.1	-0.1
EV/Sales	x	12.8%			2.2	2.0	4.2	3.8
EV/EBITDA	x	29.0%			8.4	6.5	16.0	12.6
EV/EBIT	x	89.6%			25.7	13.5	49.1	26.4
EV/OpFCF (unadj cash)	x	80.2%			23.2	12.8	44.3	25.1
P/E (adjusted, diluted)	x	79.2%			30.9	17.3	60.7	33.9
EFCF yield (unadj cash)	%	-9.7%			6.7%	5.8%	3.4%	2.9%
Dividend yield	%	20.0%			0.7%	0.8%	0.4%	0.4%
Adj ND/EBITDA exc leases	x	29.0%			0.4	0.0	0.4	0.0

Source: Cavendish

Management, board, and major shareholders

Vianet's major shareholders include the CEO & Chairman owning over 17%, and a range of institutional investors

Figure 20: Major Vianet shareholders

Shareholder	%
James Dickson (CEO & Chairman)	17.5%
Gresham House	17.3%
Liontrust Asset Management	8.6%
Interactive Investor Trading	5.4%
Hargreaves Lansdown Asset Management	3.8%
Canaccord Genuity Group	3.7%
Teviot Partners	3.4%
Downing LLP	2.7%
Identical Development (Tortola)	2.4%

Source: Cavendish

Vianet benefits from a strong leadership team and board, with extensive experience of technology, hospitality, vending, and public markets

CEO and Chairman – James Dickson

Prior to joining the group in 2003, James had worked in the brewing industry since 1990. Following an MBA at IMD, Lausanne in 1989 he joined Scottish & Newcastle, where he held several posts including Operations Director, and National Account Director for Pub Groups and Wholesalers. In 1997 James joined Whitbread as UK Dispense Director before being appointed Marketing & Sales Director for Heineken.

CFO – Mark Foster

A KPMG trained qualified accountant of c30 years, having worked in the electricity industry (National Power plc), Leased and Tenanted Pub industry (Pubmaster Ltd), wholesale distribution of industrial threaded fasteners and hand tools (Harrison and Clough Ltd) through to his current CFO role of the last 10 years, which includes the Group's company secretarial, health and safety, people and development and central support services departments. Mark is actively involved in the community, a keen sportsman and Boro supporter.

NED – Stella Panu

Stella was a founding Partner of Maven Capital Partner UK LLP, an investment management company, created after a management buyout of the private equity business of Aberdeen Asset Management plc in 2009, and led the business through to its sale in July 2021. Maven has a focus on venture growth and innovation and during her time at Maven, Stella led the AIM Investment team and was the lead investor in private equity across Maven. Having previously been at AAM and Seymour Pierce Ltd and had seats on numerous company boards, Stella brings with her a wealth of private equity M&A and AIM experience. Stella has also previously worked for Price Waterhouse Coopers, The World Bank, and Raiffeisen Investment Fund and holds a degree in Economics and an MA in Applied Economics and Statistics.

NED – Dave Coplin

Dave Coplin is an established technology industry veteran and has worked across a wide range of industries and organisations providing strategic advice and guidance around the intersection of a modern society and technology. Dave provides Vianet with strategic insight and guidance across the IOT and big data spectrum as it looks to further develop the delivery of ground breaking insight and actionable data, which enables customers to transform business performance.

Our Vianet Need to Know table

Figure 21: Vianet Need to Know

Offices	Stockton-on-Tees
Revenue model	>80% recurring revenue from contracts with a typical duration of 3-5 years, and equipment revenue to cover the costs of installations within a premises or on a machine
Revenue split	In FY24: c55% / £8.6m from Smart Zones, c45% / £6.6m from Smart Machines
Number of customers	c10k customer sites in Smart Zones, and c36k machines in Smart Machines
Staff	141 (FY23 average)
IPO	26/10/2006 (AIM) as Brulines, and changed its name to Vianet in April 2012
Latest M&A activity	Acquired Beverage Metrics in May 2023 for an initial £0.6m in shares at a price of 82.5p, and a deferred consideration of 7% of net revenue of Vianet Americas from April 2024-December 2028 in cash, capped at £4m; Acquired Vendman in October 2017 for up to £4.25m in cash (£2m initial, £2.25m earn-out)
Year end	March
Website	https://vianetplc.com/investors/investing-in-vianet/

Source: Cavendish

Income statement		2021A	2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar	Mar
Sales	£m	8.4	13.2	14.1	15.2	17.1
Cost of sales	£m	-3.3	-4.7	-4.7	-4.7	-5.2
Gross profit	£m	5.1	8.6	9.4	10.4	11.9
Operating expenses	£m	-5.2	-5.7	-5.8	-6.4	-6.8
EBITDA (adjusted)	£m	-0.1	2.9	3.6	4.0	5.2
Depreciation	£m	-0.6	-0.5	-0.5	-0.5	-0.5
Amortisation	£m	-1.7	-2.2	-2.3	-2.2	-2.2
EBIT (adjusted)	£m	-2.4	0.2	0.8	1.3	2.5
Associates/other	£m	0.0	0.0	0.0	0.0	0.0
Net interest	£m	-0.1	-0.1	-0.2	-0.3	-0.3
PBT (adjusted)	£m	-2.4	0.0	0.6	1.0	2.2
<i>restructuring costs</i>	£m	-0.1	-0.1	-0.1	-0.1	-0.1
<i>share based payments</i>	£m	-0.1	-0.1	-0.1	-0.1	-0.1
<i>other adjustments</i>	£m	-0.2	-0.0	-0.0	-0.1	0.0
Total adjustments	£m	-0.4	-0.2	-0.2	-0.2	-0.2
PBT (stated)	£m	-2.8	-0.2	0.5	0.8	2.0
Tax charge	£m	0.9	0.4	-0.3	0.0	-0.3
<i>tax rate</i>	%	<i>n/a</i>	<i>n/a</i>	64.4	<i>n/a</i>	15.0
Minorities	£m	0.0	0.0	0.0	0.0	0.0
Reported earnings	£m	-2.0	0.2	0.2	0.8	1.7
Tax effect of adjustments / other	£m	0.0	0.0	0.3	-0.0	0.0
Adjusted earnings	£m	-1.5	0.4	0.6	1.0	1.9
<i>shares in issue (year end)</i>	m	29.0	28.8	28.8	29.4	29.5
<i>shares in issue (weighted average)</i>	m	29.0	28.9	28.8	29.5	29.4
<i>shares in issue (fully diluted)</i>	m	29.0	29.2	28.9	29.7	31.0
EPS (adjusted, fully diluted)	p	-5.3	1.3	2.2	3.5	6.2
EPS (stated)	p	-6.8	0.6	0.6	2.7	5.7
DPS	p	0.0	0.0	0.5	0.8	0.9

Growth analysis (adjusted basis where applicable)						
Sales growth	%	-48.6%	57.9%	6.8%	7.5%	12.8%
EBITDA growth	%	-102.6%	n/m	26.9%	10.9%	29.0%
EBIT growth	%	-189.2%	107.1%	404.2%	54.1%	89.6%
PBT growth	%	-195.2%	101.2%	n/m	60.5%	114.2%
EPS growth	%	-159.7%	125.1%	66.5%	55.8%	79.2%
DPS growth	%	n/m	n/m	n/m	50.0%	20.0%

Profitability analysis (adjusted basis where applicable)						
Gross margin	%	60.5%	64.8%	66.4%	68.7%	69.7%
EBITDA margin	%	-1.5%	21.6%	25.6%	26.4%	30.2%
EBIT margin	%	-28.2%	1.3%	6.0%	8.6%	14.4%
PBT margin	%	-28.7%	0.2%	4.5%	6.8%	12.9%
Net margin	%	-18.4%	3.0%	4.5%	6.8%	11.1%

Cash flow		2021A	2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar	Mar
EBITDA	£m	-0.1	2.9	3.6	4.0	5.2
Net change in working capital	£m	1.4	-0.3	-1.5	-0.3	-0.4
Share based payments	£m	0.0	0.0	0.0	0.0	0.0
Profit/(loss) on sale of assets	£m	0.0	0.0	0.0	0.0	0.0
Net pensions charge	£m	0.0	0.0	0.0	0.0	0.0
Change in provision	£m	0.0	0.0	0.0	0.0	0.0
Other items	£m	-0.2	-0.1	-0.1	-0.1	-0.1
Cash flow from operating activities	£m	1.1	2.4	2.0	3.7	4.7
Cash interest	£m	-0.1	-0.1	-0.2	-0.3	-0.3
Tax paid	£m	0.0	0.0	0.0	0.9	-0.3
Capex	£m	-2.6	-2.5	-2.4	-2.3	-2.2
Other items	£m	-0.1	-0.0	0.2	0.1	-0.0
Free cash flow	£m	-1.7	-0.2	-0.4	2.1	1.9
Disposals	£m	0.0	0.0	0.0	0.0	0.0
Acquisitions	£m	0.0	0.0	0.0	0.0	-0.2
Dividends on ord shares	£m	0.0	0.0	0.0	-0.1	-0.2
Other cashflow items	£m	-0.0	-0.0	-0.0	-0.0	0.0
Issue of share capital	£m	0.0	-0.1	0.0	-0.1	0.0
Net change in cash flow	£m	-1.7	-0.3	-0.4	1.9	1.5
Opening net cash (debt)	£m	-1.0	-2.7	-3.0	-3.4	-1.5
Closing net cash (debt)	£m	-2.7	-3.0	-3.4	-1.5	-0.0

Cash flow analysis						
Cash conversion (op cash flow / EBITDA)	%	n/m	84.0%	56.3%	91.5%	90.7%
Cash conversion (free cash flow / EBITDA)	%	n/m	-7.7%	-9.9%	52.7%	36.9%
Underlying free cash flow (capex = depreciation)	£m	-1.3	-0.5	-0.8	1.7	1.4
Cash quality (underlying FCF / adjusted earnings)	%	84.1%	-115.9%	-121.1%	166.6%	73.7%
Investment rate (capex / depn)	x	4.6	5.0	4.5	4.2	4.1
Interest cash cover	x	21.0	17.4	9.9	13.3	17.4
Dividend cash cover	x	n/a	n/a	n/a	14.3	8.6

Balance sheet		2021A	2022A	2023A	2024A	2025E
Year end:		Mar	Mar	Mar	Mar	Mar
Tangible fixed assets	£m	3.4	3.3	3.4	3.3	3.5
Goodwill	£m	17.9	17.9	17.9	17.9	17.9
Other intangibles	£m	6.2	6.0	5.4	5.9	5.4
Other non current assets	£m	0.2	0.4	0.0	0.0	0.0
<i>inventories</i>	<i>£m</i>	<i>1.4</i>	<i>1.6</i>	<i>2.3</i>	<i>2.2</i>	<i>2.2</i>
<i>trade receivables</i>	<i>£m</i>	<i>2.8</i>	<i>2.7</i>	<i>3.8</i>	<i>3.9</i>	<i>4.0</i>
<i>trade payables</i>	<i>£m</i>	<i>-3.3</i>	<i>-3.0</i>	<i>-2.3</i>	<i>-3.1</i>	<i>-2.9</i>
Net working capital	£m	0.9	1.3	3.7	3.0	3.4
Other assets	£m	0.0	0.0	0.0	0.0	0.0
Other liabilities	£m	-0.1	0.0	-0.8	-1.1	-1.1
Gross cash & cash equivalents	£m	1.9	1.6	0.1	1.8	2.9
Capital employed	£m	30.4	30.3	29.6	30.8	32.0
Gross debt	£m	4.6	4.6	3.6	3.6	3.2
Net pension liability	£m	0.0	0.0	0.0	0.0	0.0
Shareholders equity	£m	25.8	25.7	26.0	27.2	28.8
Minorities	£m	0.0	0.0	0.0	0.0	0.0
Capital employed	£m	30.4	30.3	29.6	30.8	32.0

Leverage analysis						
Net debt / equity	%	10.5%	11.8%	13.7%	6.6%	1.0%
Net debt / EBITDA	x	n/a	1.1	1.0	0.4	0.1
Liabilities / capital employed	%	15.2%	15.2%	12.3%	11.7%	10.0%

Working capital analysis						
Net working capital / sales	%	11.1%	9.7%	26.3%	19.7%	19.7%
Net working capital / sales	days	41	35	96	72	72
Inventory (days)	days	62	43	59	53	48
Receivables (days)	days	120	74	98	93	86
Payables (days)	days	142	82	61	74	61

Capital efficiency & intrinsic value						
Adjusted return on equity	%	-6.0%	1.5%	2.5%	3.8%	6.6%
RoCE (EBIT basis, pre-tax)	%	-7.7%	0.6%	2.9%	4.2%	7.7%
RoCE (underlying free cash flow basis)	%	-4.3%	-1.5%	-2.6%	5.6%	4.4%
NAV per share	p	89.1	89.3	90.1	92.5	97.7
NTA per share	p	6.1	6.6	9.3	11.7	18.6

Robust progress through FY24, FY25E forecasts reiterated

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Definition of research recommendations

Expected absolute returns

BUY is an expected return greater than 10%

HOLD is an expected return -10% - +10%

SELL is an expected return less than -10%

UNDER REVIEW: recommendation and/or forecasts are under review pending further clarity as to the company's financial and/or operational position

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	Corporate client no.	Corporate client %	Total no.	Total %
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Hold	0	0.0%	2	1.3%
Sell	0	0.0%	0	0.0%
Under Review	0	0.0%	0	0.0%
Corp	134	96.4%	145	90.6%

Temporary movements by stocks across the boundaries of these categories due to share price volatility will not necessarily trigger a recommendation change. All recommendations are based on 12-month time horizon unless otherwise stated.

Recommendation history

Company	Disclosures	Date	Rec	Price	Target price
Vianet	1,2,6,8,9,10,11	9 October 23	Corp	68.0p	210.0p

Source: Cavendish

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