

Vianet Group plc

FY24 results promise further momentum

11 June 2024

Price

107p

Ticker

[VNET](#)

Market Cap.

£31m

Net Debt (Cash)

£1.5m (31 Mar 2024)

Free Float

80%

3mo Av. Daily Volume

29k

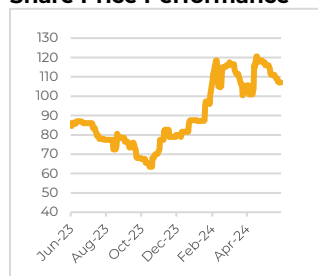
Brokers

Cavendish

Index

FTSE AIM All-Share

Share Price Performance



Source: Bloomberg

Vianet is a leading B2B provider of remote services to operators of vending machines, pubs, and self-service/"unattended" retail locations around the UK, US, and Europe. Vianet, provides contactless payment services, a beverage management platform, and a broad suite of performance monitoring & analytics.

Colin Smith

+44 20 7082 5522

[Email the Analyst](#)

International provider of actionable data and insight via connected devices

Vianet reported FY24 results in line with our upgraded estimates confirming the good momentum in the business despite the headwinds experienced in the year, notably the delay in customers finalising 3G switch-off plans. Strong operating free cash flow generation together with the benefit of a £0.9m tax receipt, resulted in a more than halving in net debt and we forecast the group to be in a net cash position by the end of FY25. That also enabled a 50% increase in the final dividend to 0.75p and the company indicated the potential reinstatement of an interim dividend. Our forecast is essentially unchanged except for an increase in our dividend estimate for FY25 to 1.50p (from 1.25p) in anticipation of an even stronger performance in FY25 (Figures 1, 2, and 3).

Vianet's SmartVend platform provides a comprehensive end-to-end vending machine management system, including contactless payment solutions, vending management software, and business intelligence for unattended vending machines, including remote access to maximise operational efficiency. The Beverage Metrics platform is a market leading beverage and bar management system which enables the drinks retailing industry to eliminate POS shrinkage and reduce waste, whilst driving quality, consumer experience, and sales.

Vianet reported results for the year to March consistent with its trading statement. Revenue for FY24 increased by 7.6% YoY to £15.2m with recurring revenue at £12.9m (FY23 £12.5m), the gross margin increased to 68.7% (FY23 66.4%), and adjusted EBITA rose 11.6% YoY to £3.5m. The adjusted profit before tax jumped 61.8% YoY to £0.9m and adjusted EPS tripled to 3.2p (FY23 1.0p) Net debt ended the period at £1.5m (YE23 £3.4m) with cash at a much healthier £1.8m (YE23 £0.1m).

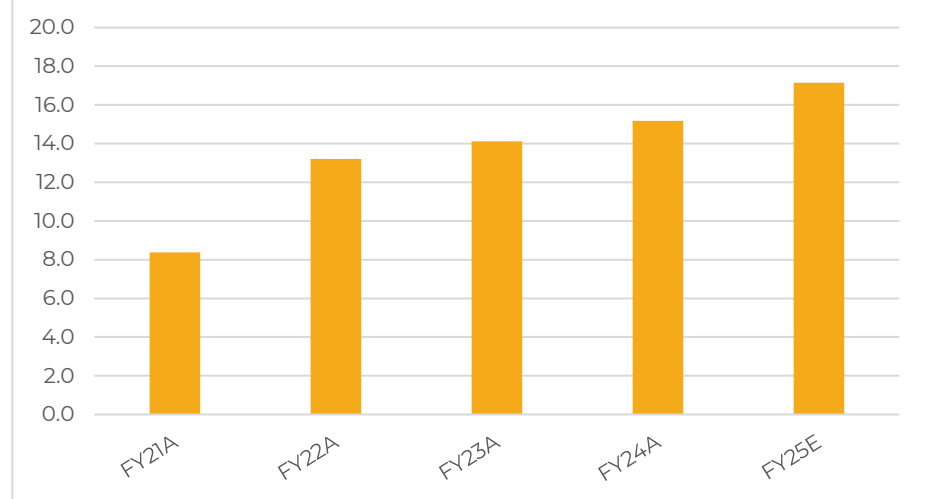
At the divisional level, the Smart Machines division, which serves the unattended retail market, saw revenue increase by 10.2% YoY to £6.6m with adjusted operating profit increasing 22.4% to £2.5m. The Smart Zones division, which serves the hospitality industry, saw revenue increase by 5.5% to £8.6m with adjusted operating profit up 3.9% to £3.9m, despite absorbing some £0.5m in post-acquisition cost associated with the Beverage Metrics (BMI) acquisition. As expected, the switch over to 4G from 3G in the mobile network system saw business in Smart Machines accelerate in 4QFY24 which has continued into FY25 and the business is also benefitting from the entry into new verticals, most notably unattended services in petrol station forecourts. Despite the continuing pressure on the UK pub sector, Vianet now believes it has a stable base from which to grow and is also targeting breakeven in its US business by the end of FY25. The BMI acquisition has accelerated the company's product roadmap in the hospitality sector by 18 months as well as expanding its presence in the US market.

The results confirm the strong pick-up in momentum in the second half of the year which looks set to continue into FY25 and beyond. The balance sheet has been strengthened significantly and we expect Vianet to be in a net cash position by the end of FY25. We expect the company to exceed pre-Covid levels of revenue and gross profit in FY25, reflecting the impact of the successful strategy being implemented by the company, especially the pace of growth in the Smart Machines division.

At a Glance (Yr. to March)	Revenue	Adj EBITA*	Adj EPS	Adj P/E**	EV/Adj EBITDA**	Yield**
FY21A	£8,369k	(£687k)	(5.60p)	n/a	(135.1x)	0.0%
FY22A	£13,215k	£2,363k	1.04p	92.9x	11.2x	0.0%
FY23A	£14,115k	£3,105k	0.98p	71.4x	6.7x	0.7%
FY24A	£15,176k	£3,469k	3.18p	26.2x	6.6x	0.9%
FY25E	£17,153k	£4,740k	6.79p	15.8x	5.9x	1.4%

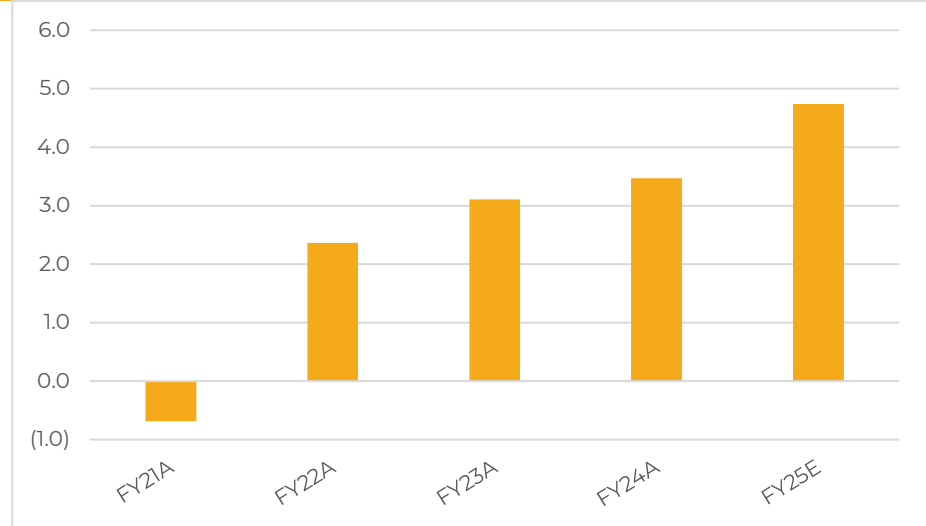
Source: Bloomberg, Vianet, CAG Research. *Before exceptionals, amortisation, and SBP. **Uses average annual share price for historic periods, current price for forecasts.

Figure 1: Revenue (£m)



Source: Vianet, CAG Research.

Figure 2: Adjusted EBITA (£m)



Source: Vianet, CAG Research.

Figure 3: Net debt/(cash) (£m)



Source: Vianet, CAG Research.

Summary financial statements

March year end, £k	FY21A	FY22A	FY23A	FY24A	FY25E
Profit & Loss					
Revenue	8,369	13,215	14,115	15,176	17,153
Cost of sales	(3,307)	(4,654)	(4,737)	(4,745)	(5,163)
Gross profit	5,062	8,561	9,378	10,431	11,990
Administrative & other expense	(5,749)	(6,198)	(6,273)	(6,962)	(7,250)
Operating profit pre amort'n & SBP	(687)	2,363	3,105	3,469	4,740
Amortisation	(1,669)	(2,195)	(2,254)	(2,164)	(2,200)
Share based payments	(73)	(83)	(71)	(100)	(100)
Adjusted operating profit	(2,429)	85	780	1,205	2,440
Net finance	(50)	(138)	(206)	(276)	(160)
Adjusted profit before tax	(2,479)	(53)	574	929	2,280
Income tax credit/(charge)	867	361	(291)	17	(274)
Adjusted net profit	(1,612)	308	283	946	2,006
Exceptional items	(343)	(121)	(122)	(145)	(200)
Reported net profit	(1,955)	187	161	801	1,806
Basic EPS reported	(6.75p)	0.65p	0.56p	2.72p	6.12p
Diluted EPS reported	(6.75p)	0.64p	0.56p	2.69p	6.11p
Basic EPS adjusted	(5.60p)	1.06p	0.98p	3.21p	6.80p
Diluted EPS adjusted	(5.60p)	1.04p	0.98p	3.18p	6.79p
Dividend	0.00p	0.00p	0.50p	0.75p	1.50p

Source: Vianet, CAG Research.

Summary financial statements (cont)

March year end, £k	FY21A	FY22A	FY23A	FY24A	FY25E
Cash flow					
Profit/(loss)	(1,955)	187	161	801	1,806
Net finance	50	138	206	276	160
Income tax (credit)/charge	(867)	(361)	291	(17)	274
Amortisation	1,669	2,195	2,254	2,164	2,200
Depreciation	563	489	519	544	600
Share based payments	73	83	71	100	100
Other operating cash flow	126	7	946	61	0
Operating cash flow pre-WC	(341)	2,738	4,448	3,929	5,140
Net change in WC	1,393	(341)	(2,411)	(259)	(300)
Cash from operations	1,052	2,397	2,037	3,670	4,840
Tax received/(paid)	0	0	0	922	0
Net cash from operations	1,052	2,397	2,037	4,592	4,840
Purchase of PP&E	(268)	(465)	(651)	(577)	(700)
Development costs capitalised	(2,312)	(1,975)	(1,699)	(1,724)	(1,850)
Other net investment	(36)	10	(4)	(8)	(15)
Net cash to investing	(2,616)	(2,430)	(2,354)	(2,309)	(2,565)
Net interest payable	(50)	(138)	(206)	(276)	(160)
Net equity issuance	0	(124)	0	(106)	0
New leases	0	0	231	190	50
Lease liability repayments	(64)	(28)	(65)	(84)	(100)
Net loan proceeds/(repayment)	3,221	(1,289)	(992)	1,062	0
Payment of contingent consideration	(30)	(16)	(16)	0	0
Dividends paid	0	0	0	(148)	(369)
Net cash from financing	3,077	(1,595)	(1,048)	638	(579)
Implied delta net debt (IAS 17)	1,708	339	373	(1,859)	(1,696)
Summary balance sheet					
Total non-current assets	27,457	27,480	26,651	27,067	26,817
Net assets	25,589	25,735	25,967	27,192	28,729
Total equity	25,589	25,735	25,967	27,192	28,729
Net debt/(cash) (IAS 17)	2,661	3,000	3,373	1,515	(181)
Net debt/(cash) (IFRS 16)	2,714	3,025	3,565	1,795	49

Source: Vianet, CAG Research.

Copyright 2023 Capital Access Group Ltd ("CAG")

This document is a marketing communication which is designed to educate and inform investors about the subject company. The subject company pays CAG a fee to cover the costs of research production and distribution. This report has been commissioned by the subject company and prepared and issued by CAG for publication in the United Kingdom only. The research has not been prepared in accordance with regulatory requirements designed to promote the independence of investment research. This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. Any comments in this report regarding the valuation of a financial security are based on comparisons with similar securities; they are not forecasts of a likely share price. CAG does not undertake to provide updates of any matters discussed in this document.

This document is not an offer to buy or sell, or a solicitation of an offer to buy or sell, the securities mentioned. Capital Access Group does not buy or sell shares, nor does it conduct corporate finance transactions, nor does it undertake investment business either in the UK or elsewhere. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. CAG does not make investment recommendations. Capital Access Group is not regulated by the Financial Conduct Authority ("FCA"). CAG does not offer any investors the ability to trade securities. Our publications are not, therefore, an inducement under MiFID II regulations.

CAG does not hold any positions in the securities mentioned in this report. However, CAG's directors, officers, employees, and contractors may have a position in any or related securities mentioned in this report.

The information contained in this document has been compiled from sources believed to be reliable, but no guarantee whatsoever is given that the information is complete or accurate, or that it is fit for a particular purpose.

This document was issued by Capital Access Group Ltd without legal responsibility and is subject to change or withdrawal without notice. By reading this document, you confirm that you have read and understand the above, and that you shall not hold Capital Access Group Ltd or any of its members and connected companies liable for any loss that you may sustain should you decide to buy or sell any of the securities covered.



Capital Access Group

32 Cornhill

London

EC3V 3SG

www.capitalaccessgroup.co.uk