

12 December 2023

## Corp

Ticker VNET:AIM

Software &amp; Computer Services

Shares in issue (m) 29.6

Next results FY Jun

Price 79.0p

Target price 210.0p

Upside 166%

Market Cap £23.4m

Net debt/(cash) £2.1m

Other EV adjustments £0.0m

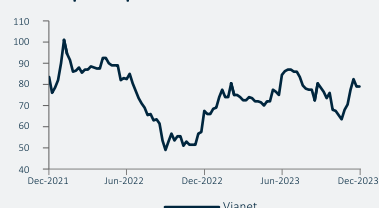
Enterprise value £25.5m

What's changed? From To

Adjusted EPS 2.4 3.3

Target price 210.0 n/c

## Share price performance



| %      | 1M   | 3M  | 12M  |
|--------|------|-----|------|
| Actual | 12.1 | 0.6 | 17.0 |

## Company description

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

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## H1 progress highlights the platform's growth potential

Vianet's H1 results show adjusted EBITA growth of +7% yoy to £1.3m, a strong improvement in net debt to £2.1m from £3.4m at FY23, and promising progress across both divisions. H1 revenue of £7.2m is +0.2% yoy and 87% recurring revenue, with Smart Zones delivering a resilient £4.1m, and Smart Machines +1% yoy to £3.1m, as customers initially delayed H1 orders to plan for the 3G mobile network switch off from 2024. Gross profit grew +8% yoy to £5.0m as gross margin increased to 69% vs 64% in H1 23, with equipment costs continuing to normalise and management realising cost efficiencies within Smart Zones. The strong progress at gross profit translated to adjusted EBITA +7% yoy to £1.3m, or +24% yoy when £0.2m of costs relating to the Beverage Metrics acquisition in May are excluded. A strong focus on cash drove EFCF of +£1.2m including the £0.9m tax refund, and led to net debt improving to £2.1m from £3.4m at FY23. Following today's results, we upgrade our FY24 and FY25 EFCF and net cash, reiterate our FY24 adjusted EBITA, and revise our FY24 and FY25 revenue forecasts, as we explain in more depth below. We expect our new forecasts will establish a conservative floor and provide the opportunity to outperform, as Vianet scales numerous attractive opportunities in both divisions, including: the 3G migration catalysing upgrades to Vianet's advanced 4G LTE solutions at existing and new customers; Beverage Metrics enhancing the SmartDraught platform and accelerating the opportunity to scale in the US; and the October 2023 win to supply an established forecourt retailer highlighting successful expansion into new verticals. We reiterate our 210p target price based on 12x FY25E EV/EBITDA, and at 79p, shares are trading on 12-month forward multiples of only 1.5x EV/Sales, 5x EV/EBITDA, and 9% EFCF yield, vs Cavendish T40 & N50 peers on 2-3x EV/Sales, 10-15x EV/EBITDA, and 3-5% EFCF yield. We look forward to new customer wins, strong operating and financial momentum through 2024, and attractive M&A opportunities.

- **Changes to forecasts** – As we show from p8, we reiterate our FY24E adjusted EBITA, and upgrade FY24E EFCF by £0.3m, which leads to FY24E and FY25E net debt improving by £0.3m to £2.1m and £0.0m. At the same time, we revise our FY24E and FY25E group revenue by 9% following delays caused by the 3G migration, and revise FY25E adjusted EBITA by 9% to £4.6m. We expect our new forecasts will establish a conservative floor, and look forward to updates through 2024.

- **Capitalising on untapped potential** – Vianet's investment case is focused upon scaling its proprietary platforms. In Smart Zones, the Q4 23 launch of SmartDraught and Q1 24 BMI acquisition create value in Vianet's 90% share of the UK leased & tenanted market, expand the UK TAM by c4x, and accelerate US expansion. In Smart Machines, evolution of SmartVend will further differentiate the platform, and enable expansion into 15m machines worldwide. Proven hardware creates very low churn levels, and 3 to 5-year contracts deliver recurring revenue of over 80%. In the medium term, we expect the scaling of SaaS solutions will drive gross margin to over 70%, create strategically valuable data, and deliver platform economies of scale.

| Key estimates |    | 2021A | 2022A | 2023A | 2024E | 2025E |
|---------------|----|-------|-------|-------|-------|-------|
| Year end:     |    | Mar   | Mar   | Mar   | Mar   | Mar   |
| Revenue       | £m | 8.4   | 13.2  | 14.1  | 15.0  | 17.1  |
| Adj EBITDA    | £m | -0.1  | 2.9   | 3.6   | 3.9   | 5.2   |
| Adj EBIT      | £m | -2.4  | 0.2   | 0.8   | 1.2   | 2.5   |
| Adj PBT       | £m | -2.4  | 0.0   | 0.6   | 1.0   | 2.2   |
| Adj EPS       | p  | -5.3  | 1.3   | 2.2   | 3.3   | 6.2   |
| DPS           | p  | 0.0   | 0.0   | 0.5   | 0.6   | 0.7   |

| Key valuation metrics |   | 2021A | 2022A | 2023A | 2024E | 2025E |
|-----------------------|---|-------|-------|-------|-------|-------|
| EV/sales              | x | 3.0   | 1.9   | 1.8   | 1.7   | 1.5   |
| EV/EBIT (adj)         | x | -10.8 | 151.6 | 30.1  | 20.4  | 10.3  |
| P/E (adj)             | x | -14.9 | 59.3  | 35.6  | 24.2  | 12.7  |
| Dividend yield        | % | 0.0%  | 0.0%  | 0.6%  | 0.8%  | 0.9%  |
| Free cash yield       | % | -7.2% | -0.9% | -1.5% | 6.0%  | 10.5% |

## H1 progress highlights the platform's growth potential

| Income statement                     |           | 2022A      | 2023A      | 2024E      | 2025E      |
|--------------------------------------|-----------|------------|------------|------------|------------|
| Year end:                            |           | Mar        | Mar        | Mar        | Mar        |
| Sales                                | £m        | 13.2       | 14.1       | 15.0       | 17.1       |
| Gross profit                         | £m        | 8.6        | 9.4        | 10.4       | 11.9       |
| EBITDA (adjusted)                    | £m        | 2.9        | 3.6        | 3.9        | 5.2        |
| <b>EBIT (adjusted)</b>               | <b>£m</b> | <b>0.2</b> | <b>0.8</b> | <b>1.2</b> | <b>2.5</b> |
| Associates/other                     | £m        | 0.0        | 0.0        | 0.0        | 0.0        |
| Net interest                         | £m        | -0.1       | -0.2       | -0.3       | -0.3       |
| <b>PBT (adjusted)</b>                | <b>£m</b> | <b>0.0</b> | <b>0.6</b> | <b>1.0</b> | <b>2.2</b> |
| Total adjustments                    | £m        | -0.2       | -0.2       | -0.6       | -0.2       |
| PBT (stated)                         | £m        | -0.2       | 0.5        | 0.4        | 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        | 0.4        | 1.7        |
| <b>Adjusted earnings</b>             | <b>£m</b> | <b>0.4</b> | <b>0.6</b> | <b>1.0</b> | <b>1.9</b> |
| Shares in issue (year end)           | m         | 28.8       | 28.8       | 29.6       | 29.6       |
| EPS (stated)                         | p         | 0.6        | 0.6        | 1.3        | 5.7        |
| <b>EPS (adjusted, fully diluted)</b> | <b>p</b>  | <b>1.3</b> | <b>2.2</b> | <b>3.3</b> | <b>6.2</b> |
| <b>DPS</b>                           | <b>p</b>  | <b>0.0</b> | <b>0.5</b> | <b>0.6</b> | <b>0.7</b> |

| Cash flow                            |           | 2022A       | 2023A       | 2024E       | 2025E      |
|--------------------------------------|-----------|-------------|-------------|-------------|------------|
| Year end:                            |           | Mar         | Mar         | Mar         | Mar        |
| EBITDA                               | £m        | 2.9         | 3.6         | 3.9         | 5.2        |
| Net change in working capital        | £m        | -0.3        | -1.5        | -0.5        | 0.2        |
| Other operating items                | £m        | -0.1        | -0.1        | -0.5        | -0.1       |
| <b>Cash flow from op. activities</b> | <b>£m</b> | <b>2.4</b>  | <b>2.0</b>  | <b>3.0</b>  | <b>5.2</b> |
| 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        | -2.2        | -2.2       |
| Other items                          | £m        | -0.0        | 0.2         | -0.0        | -0.0       |
| <b>Free cash flow</b>                | <b>£m</b> | <b>-0.2</b> | <b>-0.4</b> | <b>1.4</b>  | <b>2.5</b> |
| 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         | 0.0         | 0.0        |
| Other                                | £m        | -0.0        | -0.0        | 0.0         | 0.0        |
| <b>Net change in cash flow</b>       | <b>£m</b> | <b>-0.3</b> | <b>-0.4</b> | <b>1.3</b>  | <b>2.1</b> |
| Opening net cash (debt)              | £m        | -2.7        | -3.0        | -3.4        | -2.1       |
| <b>Closing net cash (debt)</b>       | <b>£m</b> | <b>-3.0</b> | <b>-3.4</b> | <b>-2.1</b> | <b>0.0</b> |

| Balance sheet                |           | 2022A       | 2023A       | 2024E       | 2025E       |
|------------------------------|-----------|-------------|-------------|-------------|-------------|
| Year end:                    |           | Mar         | Mar         | Mar         | Mar         |
| Tangible fixed assets        | £m        | 3.3         | 3.4         | 3.3         | 3.4         |
| Goodwill & other intangibles | £m        | 23.8        | 23.3        | 23.4        | 22.7        |
| Other non current assets     | £m        | 0.4         | 0.0         | 0.0         | 0.0         |
| Net working capital          | £m        | 1.3         | 3.7         | 3.3         | 3.1         |
| Other assets                 | £m        | 0.0         | 0.0         | 0.0         | 0.0         |
| Other liabilities            | £m        | 0.0         | -0.8        | -0.8        | -0.6        |
| Gross cash & cash equivs     | £m        | 1.6         | 0.1         | 1.1         | 2.8         |
| <b>Capital employed</b>      | <b>£m</b> | <b>30.3</b> | <b>29.6</b> | <b>30.3</b> | <b>31.5</b> |
| Gross debt                   | £m        | 4.6         | 3.6         | 3.4         | 3.0         |
| Net pension liability        | £m        | 0.0         | 0.0         | 0.0         | 0.0         |
| Shareholders equity          | £m        | 25.7        | 26.0        | 26.9        | 28.5        |
| Minorities                   | £m        | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Capital employed</b>      | <b>£m</b> | <b>30.3</b> | <b>29.6</b> | <b>30.3</b> | <b>31.5</b> |

| Growth analysis |   | 2022A  | 2023A  | 2024E | 2025E  |
|-----------------|---|--------|--------|-------|--------|
| Year end:       |   | Mar    | Mar    | Mar   | Mar    |
| Sales growth    | % | 57.9%  | 6.8%   | 6.4%  | 14.0%  |
| EBITDA growth   | % | n/m    | 26.9%  | 8.6%  | 31.6%  |
| EBIT growth     | % | 107.1% | 404.2% | 47.3% | 98.3%  |
| PBT growth      | % | 101.2% | n/m    | 52.7% | 125.0% |
| EPS growth      | % | 125.1% | 66.5%  | 47.2% | 89.7%  |
| DPS growth      | % | n/m    | n/m    | 20.0% | 16.7%  |

| Profitability analysis |   | 2022A | 2023A | 2024E | 2025E |
|------------------------|---|-------|-------|-------|-------|
| Year end:              |   | Mar   | Mar   | Mar   | Mar   |
| Gross margin           | % | 64.8% | 66.4% | 69.1% | 69.7% |
| EBITDA margin          | % | 21.6% | 25.6% | 26.2% | 30.2% |
| EBIT margin            | % | 1.3%  | 6.0%  | 8.3%  | 14.4% |
| PBT margin             | % | 0.2%  | 4.5%  | 6.5%  | 12.9% |
| Net margin             | % | 3.0%  | 4.5%  | 6.5%  | 11.1% |

| Valuation analysis |   | 2022A | 2023A | 2024E | 2025E |
|--------------------|---|-------|-------|-------|-------|
| Year end:          |   | Mar   | Mar   | Mar   | Mar   |
| EV/EBITDA          | x | 8.9   | 7.0   | 6.5   | 4.9   |
| EV/EBIT            | x | 151.6 | 30.1  | 20.4  | 10.3  |
| P/E                | x | 59.3  | 35.6  | 24.2  | 12.7  |

| Cash flow analysis                |    | 2022A   | 2023A   | 2024E | 2025E  |
|-----------------------------------|----|---------|---------|-------|--------|
| Year end:                         |    | Mar     | Mar     | Mar   | Mar    |
| Cash conv'n (op cash / EBITDA)    | %  | 84.0%   | 56.3%   | 75.7% | 101.4% |
| Cash conv'n (FCF / EBITDA)        | %  | -7.7%   | -9.9%   | 35.6% | 47.5%  |
| U/lying FCF (capex = depn)        | £m | -0.5    | -0.8    | 0.9   | 1.9    |
| Cash quality (u/l FCF / adj earn) | %  | -115.9% | -121.1% | 93.6% | 102.6% |
| Investment rate (capex / depn)    | x  | 5.0     | 4.5     | 4.1   | 4.1    |
| Interest cash cover               | x  | 17.4    | 9.9     | 11.1  | 19.4   |
| Dividend cash cover               | x  | n/a     | n/a     | 9.5   | 13.8   |

| Working capital analysis    |      | 2022A | 2023A | 2024E | 2025E |
|-----------------------------|------|-------|-------|-------|-------|
| Year end:                   |      | Mar   | Mar   | Mar   | Mar   |
| Net working capital / sales | %    | 9.7%  | 26.3% | 21.6% | 18.0% |
| Net working capital / sales | days | 35    | 96    | 79    | 66    |
| Inventory (days)            | days | 43    | 59    | 48    | 48    |
| Receivables (days)          | days | 74    | 98    | 86    | 86    |
| Payables (days)             | days | 82    | 61    | 54    | 67    |

| Leverage analysis              |   | 2022A | 2023A | 2024E | 2025E |
|--------------------------------|---|-------|-------|-------|-------|
| Year end:                      |   | Mar   | Mar   | Mar   | Mar   |
| Net debt / equity              | % | 11.8% | 13.7% | 8.4%  | 0.5%  |
| Net debt / EBITDA              | x | 1.1   | 1.0   | 0.6   | 0.0   |
| Liabilities / capital employed | % | 15.2% | 12.3% | 11.2% | 9.4%  |

| Capital efficiency & intrinsic value |   | 2022A | 2023A | 2024E | 2025E |
|--------------------------------------|---|-------|-------|-------|-------|
| Year end:                            |   | Mar   | Mar   | Mar   | Mar   |
| Adjusted return on equity            | % | 1.5%  | 2.5%  | 3.6%  | 6.7%  |
| RoCE (EBIT basis, pre-tax)           | % | 0.6%  | 2.9%  | 4.1%  | 7.9%  |
| RoCE (u/lying FCF basis)             | % | -1.5% | -2.6% | 3.0%  | 6.2%  |
| NAV per share                        | p | 89.3  | 90.1  | 90.8  | 96.2  |
| NTA per share                        | p | 6.6   | 9.3   | 11.8  | 19.4  |

## Investment case

### H1 shows adj EBITA +7% yoy and a strong cash performance (p8)

- H1 revenue of £7.2m is in line with the trading update, 87% of H1 revenue was recurring, and in light of the delays caused by the 3G migration, we conservatively revise our FY24 and FY25 revenue forecasts by 9%, and expect our new forecasts will establish a conservative floor that provides the opportunity to outperform, as Vianet scales numerous attractive opportunities in both divisions.
- H1 gross profit grew +8% yoy to £5.0m at a gross margin of 69% vs 64% in H1 23, as the group continued to benefit from the easing of global semiconductor shortages and realised cost efficiencies in Smart Zones, 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.
- H1 adjusted EBITA grew +7% yoy to £1.3m, or +24% yoy excluding £0.2m of cost from the Beverage Metrics acquisition, we reiterate our FY24 adjusted EBITA forecast of £3.4m, and revise our FY25 forecast to £4.6m or +36% yoy growth.
- A strong focus on cash has delivered H1 24 EFCF of +£1.2m with H1 net debt at £2.1m after £3.4m at FY23, we importantly upgrade our FY24 EFCF to £1.4m from £1.1m and reiterate our FY25 EFCF of £2.5m, and we upgrade our FY24 and FY25 net debt forecasts to £2.1m and £0.0m from £2.4m and £0.3m, including unchanged DPS forecasts of 0.6p and 0.7p in FY24 and FY25.
- Following H1 results, we summarise the changes to our forecasts in the table on p15.
- The H1 v H2 split reflects Smart Machines scaling in H2, as we show in the table on p16.

### Valuation (p17)

- Vianet's Cavendish Tech 40 and Next 50 peers are trading on 12-month forward multiples of 2-3x EV/Sales with +10-16% NTM Sales growth, 10-15x EV/EBITDA with +12-21% NTM EBITDA growth, and 3-5% EFCF yields.
- We value Vianet at 210p based on 12x FY25 EV/EBITDA, and it currently trades on 12-month forward multiples of 1.5x EV/Sales with NTM Sales growth of +12%, EV/EBITDA of 5x with NTM EBITDA growth of +25%, and an EFCF yield of 9%.

### Management, board, and major shareholders (p19)

- 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 p20.

## Vianet's complementary divisions

### Smart Zones

- As the integrated Beverage Metrics-SmartDraught 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 (c60% of FY23 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.

## H1 progress highlights the platform's growth potential

- ▶ 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 current iDraught platform was launched in 2008, and has focused upon optimising pouring yield, temperature, waste management, and till yield/EPOS shrinkage. Following launch in Q4 23, Vianet will focus on scaling the modular **SmartDraught** 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 **May 2023 Beverage Metrics acquisition** with SmartDraught then creates a comprehensive drinks management solution, and has fast-tracked the hospitality product roadmap by c12-18 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 SmartDraught as its capabilities continue to expand, and management will focus on selling SmartDraught into new venues in the independent and managed segments of the market, as well as developing Brand insights.

#### *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 c11k 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 investment in other areas rather than draught beer monitoring despite the attractive return on investment. However, the ongoing cost of living crisis is 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 SmartDraught platform, we expect Vianet **will increase its UK total addressable market by c4x**, through targeting the c32k company-owned managed, and individually owned independent, hospitality venues in the UK.

## H1 progress highlights the platform's growth potential

- We also expect the greater range, volume, and quality of data collected by SmartDraught 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 early traction from brands buying yearly subscription data.
- Beyond the UK, Vianet has developed European and US operations, including through the acquisition of Beverage Metrics in the US, where it can initially target over 50k bars and chains in the 382k addressable market. As SmartDraught scales, we expect management will focus on expanding the US operations, and we note that it already has several leads with major US chains.
- 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 (c40% of FY23 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 new 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 management expecting the migration to be completed by summer 2024, and 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.

## H1 progress highlights the platform's growth potential

*Total addressable market and market share*

- Smart Machines is currently focused on the UK and Europe, with a small presence in the US. The H1 24 footprint of c35k machines (with c56k connected devices) compares to c300k machines in the UK, a further 3m machines in mainland Europe, and c15m machines worldwide.
- As less than 30% 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. SmartVend is 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 2023, we expect Vianet's momentum with new and existing customers will continue to build through 2024.
  - **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.
- Beyond the UK and Europe, we expect Smart Machines will expand in the US 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 would 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 an established forecourt retailer with c800 Trio IQ Smart Contact Pro solutions, in partnership with Suresite.

**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 SmartDraught 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 15 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.



## H1 progress highlights the platform's growth potential

- ▶ **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 SmartDraught 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 SmartDraught, 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 new 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 at its FY24 trading update and results, 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, where Vianet has now established a beachhead with the October 2023 order announcement with a significant operator, could be followed by new customer wins from several live commercial trials.

## H1 shows adj EBITA +7% yoy and a strong cash performance

H1 revenue of £7.2m is in line with the trading update, 87% of H1 revenue was recurring, and in light of the delays caused by the 3G migration, we conservatively revise our FY24 and FY25 revenue forecasts by 9%, and expect our new forecasts will establish a conservative floor that provides the opportunity to outperform, as Vianet scales numerous attractive opportunities in both divisions

In H1 24, group revenue grew +0.2% yoy to £7.2m, with Smart Zones -0.7% yoy to £4.1m, and Smart Machines +1.5% yoy to £3.1m. Within the divisions:

- **Smart Machines** secured 37 new contracts with lengths of 3-5 years, and renewed 8 existing contracts, typically with lengths of 5 years. The division delivered sales of 5.2k units vs 6.3k in H1 23, as customers initially delayed 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.

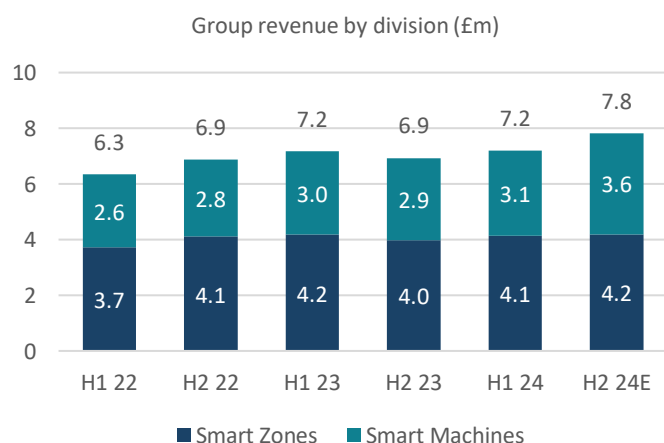
The division is also successfully expanding into complementary new verticals, including forecourt retailers, following the October 2023 win to supply an established forecourt retailer with c800 Trio IQ Smart Contact Pro solutions in partnership with Suresite, and much more potential to unlock in this area.

- **Smart Zones** achieved two new long-term contracts, renewed three existing contracts, and experienced a deceleration in the closure rate of pubs within the core UK base, with a net decrease of 150 sites leading to a UK base of 9.7k. The division has now started to make inroads into the UK managed sector, and following the acquisition of Beverage Metrics in May 2023, the integration of SmartDraught and BMI creates a comprehensive beverage management solution that has accelerated the hospitality product roadmap by 12-18 months, and can accelerate growth in new UK segments.

The acquisition of BMI has also strengthened the division's foundation in the US, including by facilitating a partnership with a prominent alcohol procurement provider in the US. Combined with existing strategic alliances, there are currently several promising engagements with major US chains, which can pave the way for profitable US expansion in H2 and FY25.

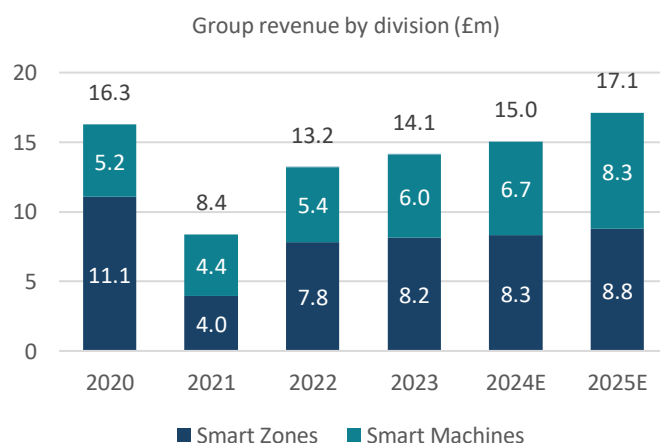
In light of the delays caused by the 3G migration, we revise our FY24 and FY25 Smart Machines forecasts by 15% and 13%, which leads to group revenue forecasts 9% lower in both years. We expect our new forecasts will establish a conservative floor and provide the opportunity to outperform, as Vianet scales numerous attractive opportunities in both divisions, across the UK, US, and Europe.

Figure 1: We expect Smart Machines will drive H2 24 group revenue to £7.8m from £7.2m in H1 24



Source: Cavendish

Figure 2: After voluntarily reducing service fees in response to COVID-19, we expect FY25 revenue will surpass FY20



Source: Cavendish



## H1 progress highlights the platform's growth potential

Underlying the H1 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:

- **87% from recurring revenue in H1 24** – 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 77% of H1 24 revenue, while recurring revenue for Smart Zones was 94% in H1 24.

As Smart Machines and Smart Zones win new customers in the coming years, we expect recurring revenue will move towards 84-86%, as Vianet will initially install 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 SmartDraught 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 has now returned to billing customers 100%.

- **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 be able to 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 FY23, two Smart Zones customers individually accounted for over 10% of group revenue, and combined they generated £3.7m or 26% of FY23 revenue. Both customers only moved above 10% of group revenue in FY22, and 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.

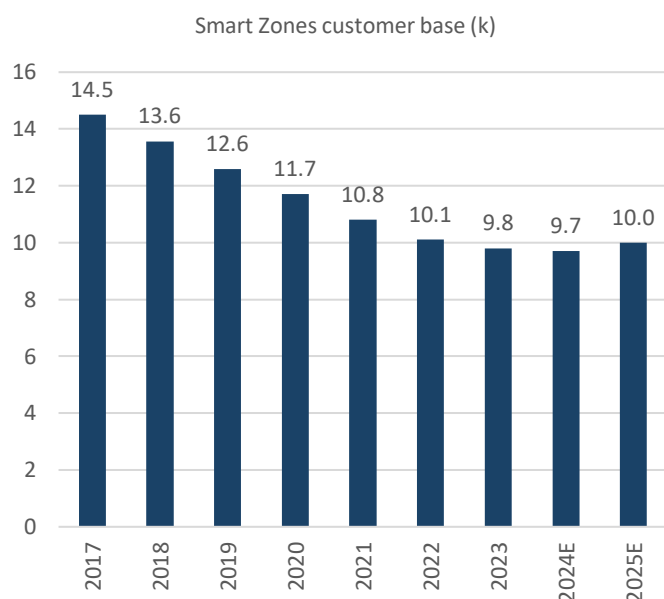
To drive our group revenue forecasts, we model the KPIs for each division, and split the revenue between recurring and installation.

Within Smart Zones, we expect that the scaling of SmartDraught in 2024 will drive a return to growth in the number of premises in FY25, as the SmartDraught proposition will enable Vianet to expand into UK independent and managed venues. We expect the division's core leased market is likely to continue to see some venues close in FY24 and FY25, which has been responsible for the decline in the 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 SmartDraught 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.

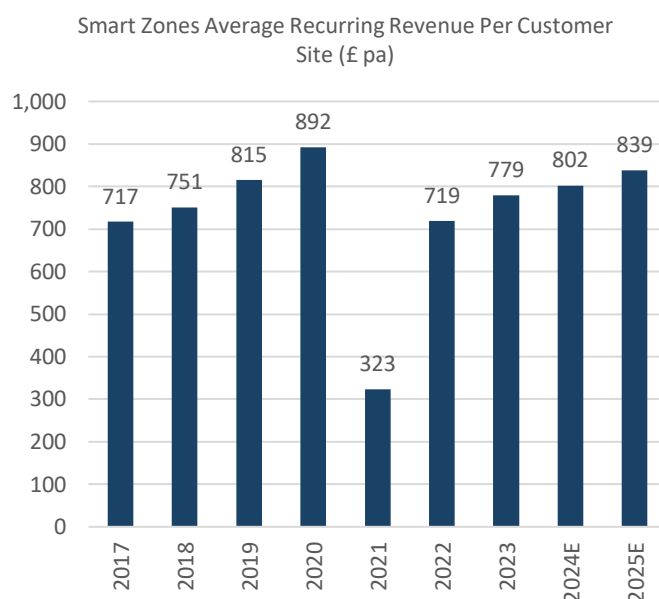
## H1 progress highlights the platform's growth potential

**Figure 3: While the Smart Zones customer base has declined due to venues closing, we expect expansion into the managed and independent segments will deliver a return to growth in FY25**



Source: Cavendish

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

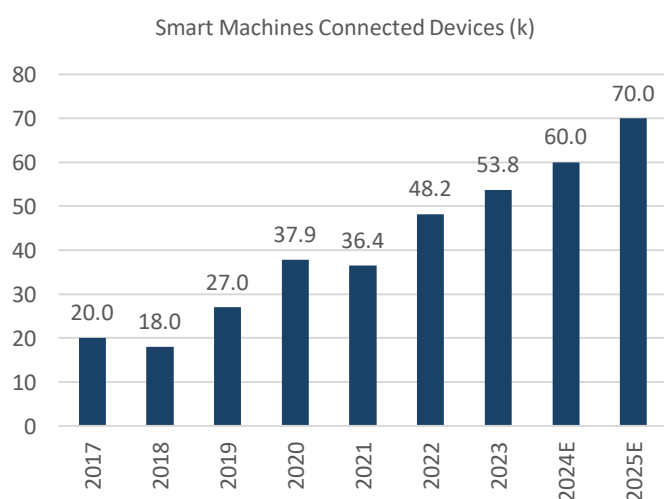


Source: Cavendish; Note we derive Average Recurring Revenue Per Customer Site by estimating the average customer base over the period

Within Smart Machines, we expect the award-winning solutions will continue to win new customers and expand with existing customers, which will drive the number of connected devices from c48k in FY22 to 70k in FY25.

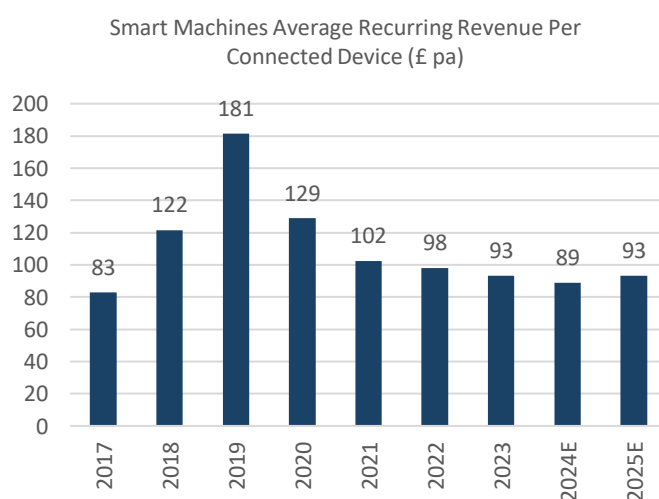
Similarly to Smart Zones, we conservatively assume that the increasing capabilities of SmartVend will not drive an increase in the Average Recurring Revenue Per Connected Device (ARRPCD) in our forecasts. As customers recognise the value of the new modules being deployed, we expect that ARRPCD has the potential to increase to the levels seen in FY18-20, which would deliver operationally geared upside to our current forecasts.

**Figure 5: We expect Smart Machines' footprint will continue to scale, with new contract wins from both new and existing customers**



Source: Cavendish

**Figure 6: We conservatively assume that ARRPCD remains at c£90, and note that SmartVend could increase ARRPCD beyond the levels seen in FY18-FY20**



Source: Cavendish; Note we derive Average Recurring Revenue per Connected Device by estimating the average device number over the period

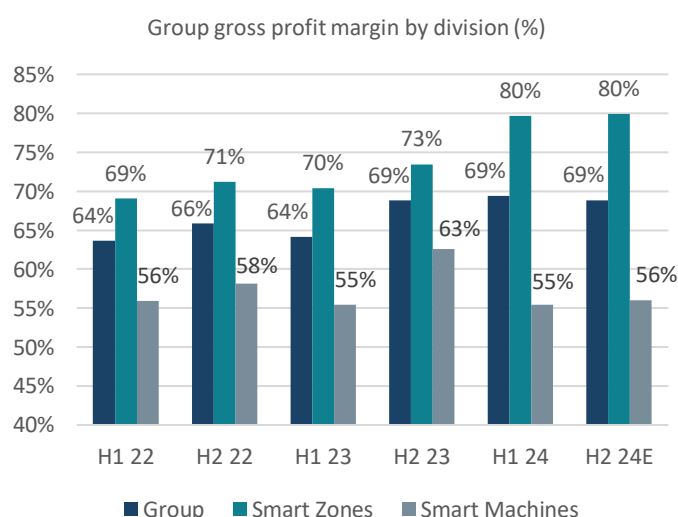
## H1 progress highlights the platform's growth potential

H1 gross profit grew +8% yoy to £5.0m at a gross margin of 69% vs 64% in H1 23, as the group continued to benefit from the easing of global semiconductor shortages and realised cost efficiencies in Smart Zones, 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

H1 24 gross profit grew +8% yoy to £5.0m at a gross margin of 69% vs 64% in H1 23, 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.

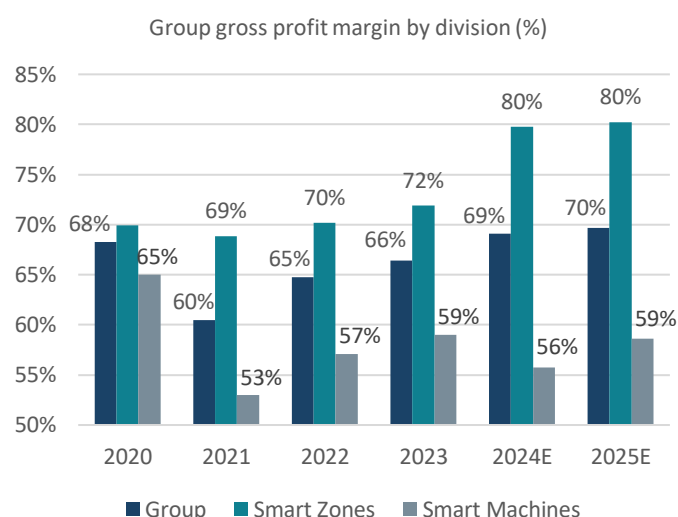
Since 2020 the group's gross margin has been impacted by the global semiconductor shortage, particularly in Smart Machines, where gross margin fell from over 70% in FY19 to c50-60% from FY21. To mitigate the impacts, management strategically focused on offering attractive equipment pricing to core customers to scale the recurring revenue footprint, and deliver the platform's medium-term potential.

**Figure 7: The group's gross profit margin has been impacted by increased equipment costs, and H1 24 gross margin benefitted from efficiencies within Smart Zones**



Source: Cavendish

**Figure 8: We expect a group gross margin of c69-70% in our forecasts to FY25, and note that higher gross margin software revenue could drive upside to our forecasts**



Source: Cavendish

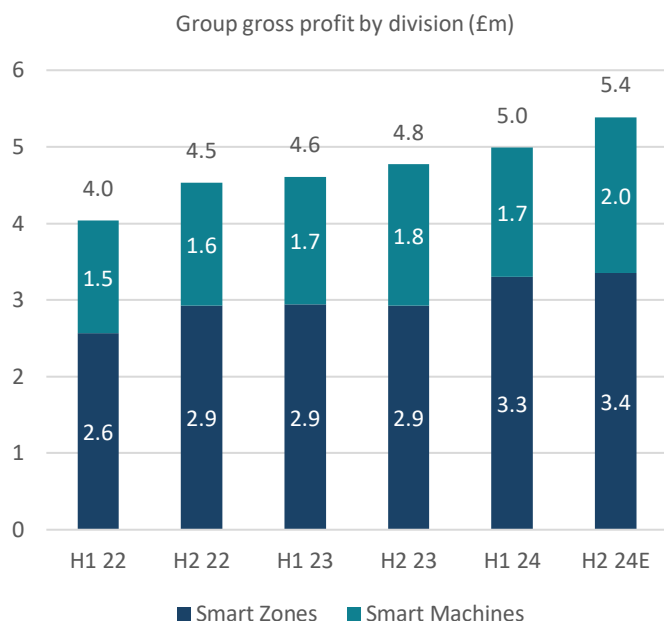
In response to any future pressures, we expect management will continue to opportunistically source chips, and strategically choose to either continue pricing to expand the recurring revenue footprint, or pass through costs to customers.

Over FY24, we expect gross margin will remain at 69%, 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.

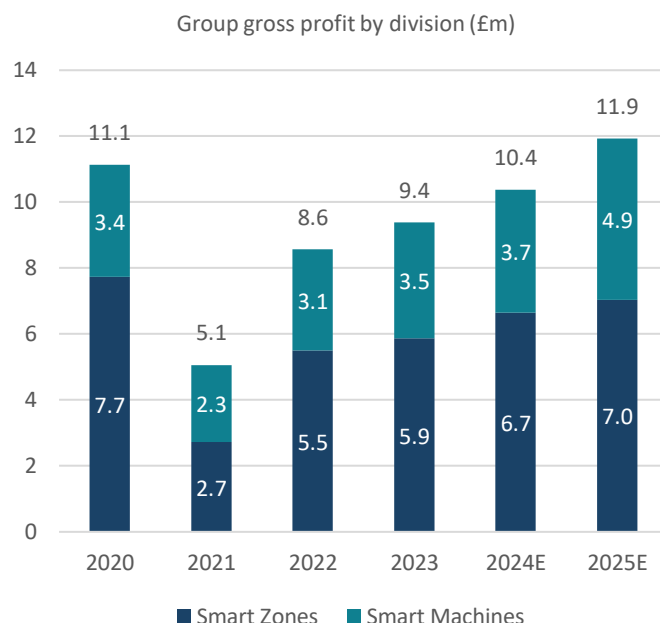
## H1 progress highlights the platform's growth potential

Figure 9: We expect Smart Machines and Smart Zones will drive H2 24 gross profit to £5.4m



Source: Cavendish

Figure 10: We expect FY25 gross profit will scale to surpass FY20 gross profit of £11.1m



Source: Cavendish

**H1 adjusted EBITA grew +7% yoy to £1.3m, or +24% yoy excluding £0.2m of cost from the Beverage Metrics acquisition, we reiterate our FY24 adjusted EBITA forecast of £3.4m, and revise our FY25 forecast to £4.6m or +36% yoy growth**

H1 adjusted EBITA grew +7% yoy to £1.3m, as the increase in gross profit combined with selective opex investment across the divisions. The H1 figure also includes £0.2m of support for the acquisition of Beverage Metrics in May 2023, with adjusted EBITA excluding the acquisition +24% yoy.

Following the 9% change to our revenue forecast, we reiterate our FY24 adjusted EBITA forecast, as we now expect gross profit margin will be c2% pts higher, and reduce our FY24 opex forecast by c11%, as management selectively invests in growth.

We then lower our FY25 adjusted EBITA forecast by 9%, as the 9% revenue change leads to gross profit 9% lower at an unchanged gross margin of 70%, and opex including depreciation is also 9% lower.

We expect that our new forecasts for adjusted EBITA will establish a conservative floor, and expect that any revenue upside, particularly from high margin software revenue, would gear strongly to our adjusted EBITA forecasts.

## H1 progress highlights the platform's growth potential

Figure 11: We expect H2 24 to show a similar uplift to H2 23, with a material increase in the performance of Smart Machines

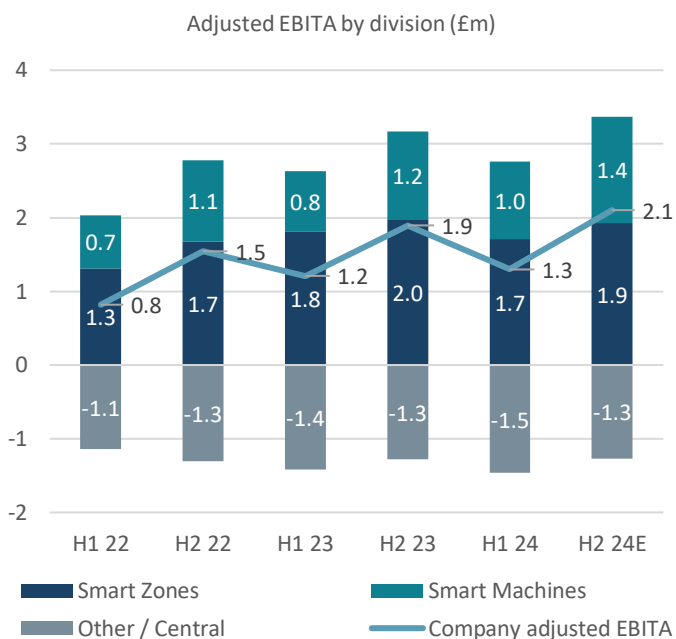


Figure 12: H1 24 adjusted EBITA includes £0.2m of support for the acquisition of Beverage Metrics in May 2023

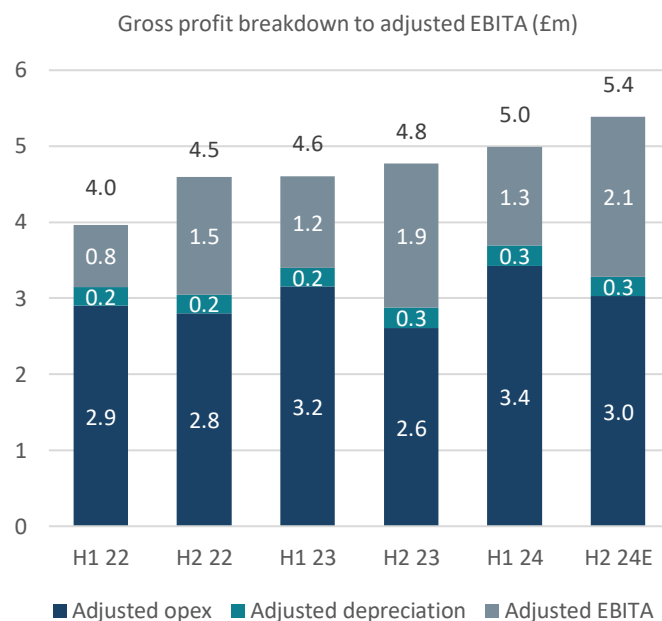


Figure 13: After reducing opex in response to COVID-19, we expect selective investment to capitalise on the opportunities

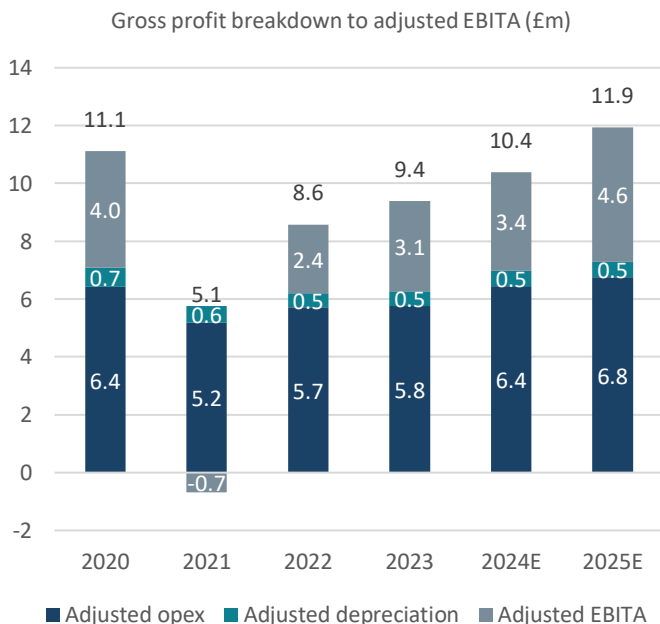
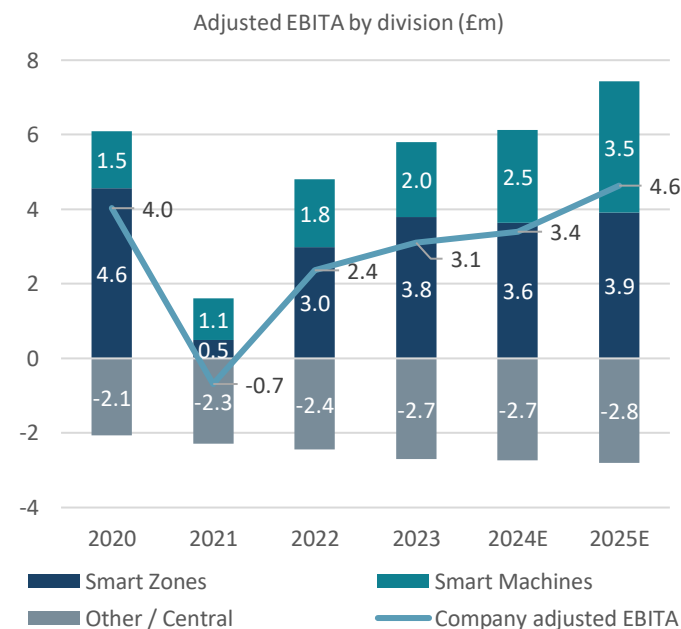


Figure 14: We reiterate our FY24 adjusted EBITA forecast of £3.4m, and revise our FY25 forecast to +36% growth



A strong focus on cash has delivered H1 24 EFCF of +£1.2m with H1 net debt at £2.1m after £3.4m at FY23, we importantly upgrade our FY24 EFCF to £1.4m from £1.1m and reiterate our FY25 EFCF of £2.5m, and we upgrade our FY24 and FY25 net debt forecasts to £2.1m and £0.0m from £2.4m and £0.3m, including unchanged DPS forecasts of 0.6p and 0.7p in FY24 and FY25

The main delta between EBITDA and EFCF relates to changes in working capital, capex, tax, and interest, as Vianet operates with gross debt of c£3m.

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 <£1m of working capital outflows as the group invests in inventory and scales revenue.

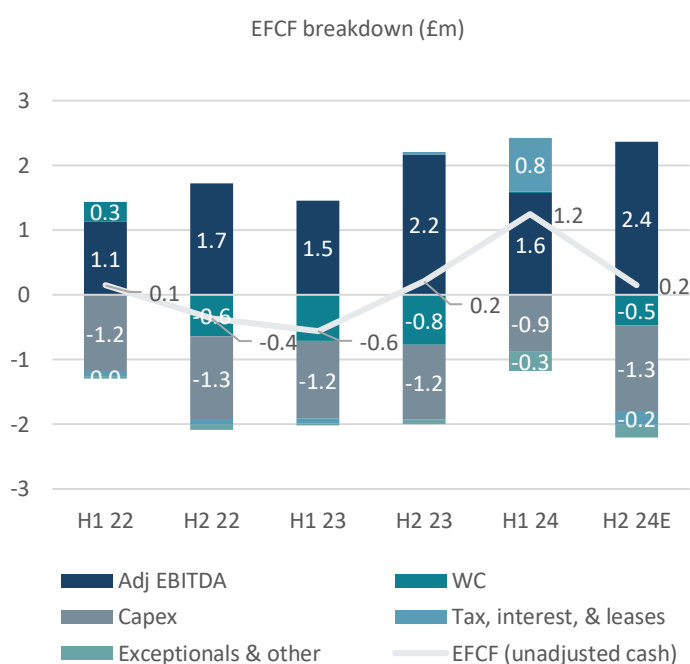
## H1 progress highlights the platform's growth potential

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 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 means that we do not expect the group will pay cash tax in FY24, before we include c£0.3m of cash tax in FY25.

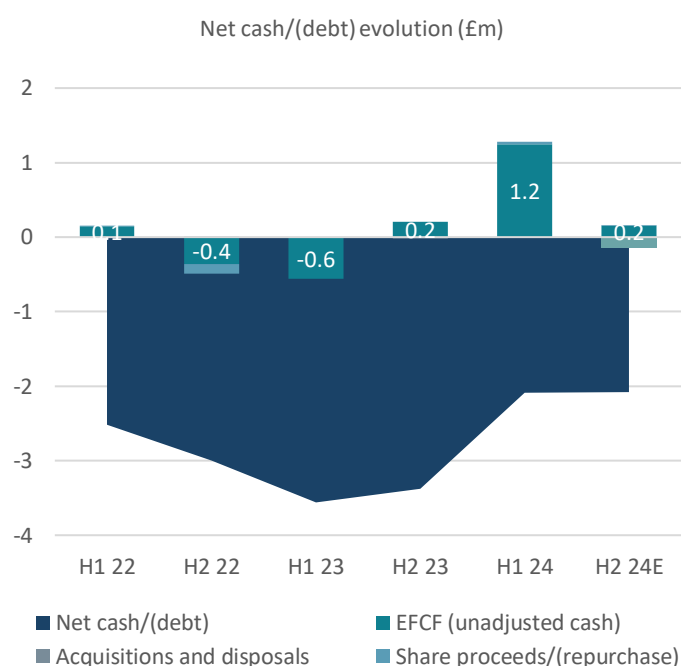
We then include £0.3m pa of interest payments, with the group benefitting from the banking facilities moving to HSBC.

Figure 15: H1 24 EFCF of +£1.2m included £0.9m of tax refund, and no WC outflow, after outflows through FY23



Source: Cavendish

Figure 16: H1 24 net cash increased to £2.1m, with the group acquiring Beverage Metrics for an initial £0.6m in shares



Source: Cavendish

Following the return of a 0.5p dividend at FY23 results in June, we expect the Board will evaluate increasing shareholder returns, and we reiterate our FY24 and FY25 DPS of 0.6p and 0.7p.

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.



## H1 progress highlights the platform's growth potential

Figure 17: We expect a return to EFCF generation in FY24, with capex moderating to £2.2m pa, and EBITDA scaling to £3.9m

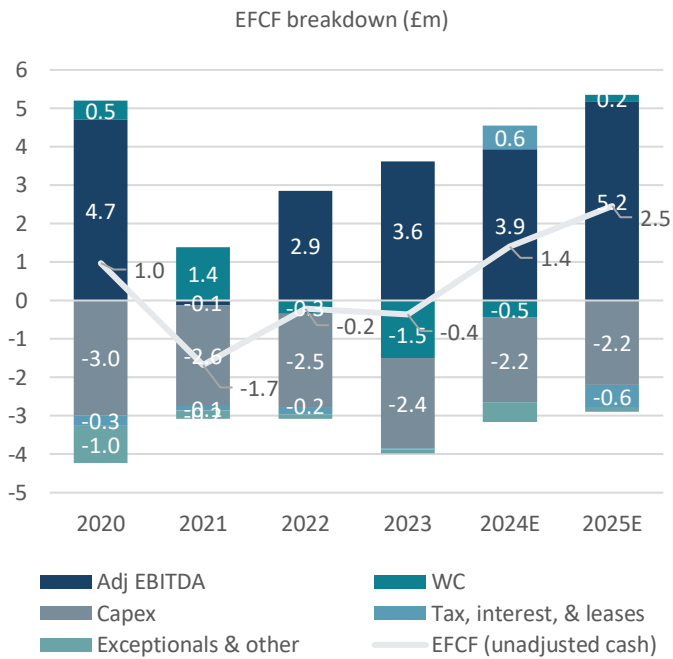
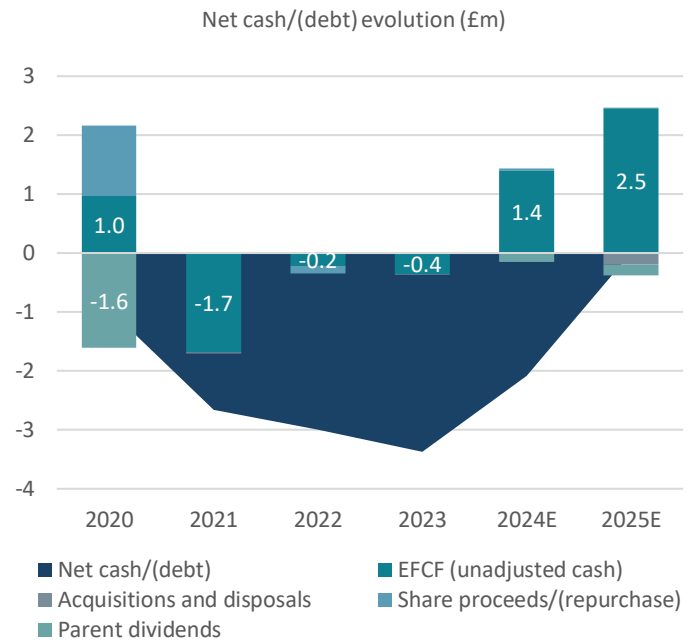


Figure 18: We continue to expect the board will increase the dividend to 0.6p in FY24 and 0.7p in FY25



## Following H1 results, we summarise the changes to our forecasts

Figure 19: Changes to our Vianet forecasts (EC = Estimate Changes; NE = New Estimates; PE = Previous Estimates)

|                               |           | EC            |               |              | NE          |             |             | PE          |             |             |
|-------------------------------|-----------|---------------|---------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                               |           | 2023          | 2024E         | 2025E        | 2023        | 2024E       | 2025E       | 2023        | 2024E       | 2025E       |
| Smart Zones                   | £m        | 0.0%          | -4.1%         | -5.1%        | 8.2         | 8.3         | 8.8         | 8.2         | 8.7         | 9.2         |
| Smart Machines                | £m        | 0.0%          | -14.6%        | -12.8%       | 6.0         | 6.7         | 8.3         | 6.0         | 7.8         | 9.6         |
| <b>Group revenue</b>          | <b>£m</b> | <b>0.0%</b>   | <b>-9.1%</b>  | <b>-9.0%</b> | <b>14.1</b> | <b>15.0</b> | <b>17.1</b> | <b>14.1</b> | <b>16.5</b> | <b>18.8</b> |
| Group revenue growth          | %         |               |               |              | 7%          | 6%          | 14%         | 7%          | 17%         | 14%         |
| <b>Gross profit</b>           | <b>£m</b> | <b>0.0%</b>   | <b>-6.2%</b>  | <b>-9.4%</b> | <b>9.4</b>  | <b>10.4</b> | <b>11.9</b> | <b>9.4</b>  | <b>11.1</b> | <b>13.2</b> |
| Gross profit growth           | %         |               |               |              | 10%         | 11%         | 15%         | 10%         | 18%         | 19%         |
| Gross margin                  | %         |               |               |              | 66%         | 69%         | 70%         | 66%         | 67%         | 70%         |
| Adj opex                      | £m        | 0.0%          | -10.8%        | -11.6%       | -5.8        | -6.4        | -6.8        | -5.8        | -7.2        | -7.6        |
| <b>Adj EBITDA (pre SBP)</b>   | <b>£m</b> | <b>0.0%</b>   | <b>2.4%</b>   | <b>-6.4%</b> | <b>3.6</b>  | <b>3.9</b>  | <b>5.2</b>  | <b>3.6</b>  | <b>3.8</b>  | <b>5.5</b>  |
| Adj EBITDA growth             | %         |               |               |              | 27%         | 9%          | 32%         | 27%         | 6%          | 44%         |
| Adj EBITDA margin             | %         |               |               |              | 26%         | 26%         | 30%         | 26%         | 23%         | 29%         |
| <b>Adjusted EBITA</b>         | <b>£m</b> | <b>0.0%</b>   | <b>0.0%</b>   | <b>-9.0%</b> | <b>3.1</b>  | <b>3.4</b>  | <b>4.6</b>  | <b>3.1</b>  | <b>3.4</b>  | <b>5.1</b>  |
| Reported EPS (diluted)        | p         | 0.0%          | -12.5%        | -3.9%        | 0.6         | 1.3         | 5.7         | 0.6         | 1.5         | 5.9         |
| <b>Adjusted EPS (diluted)</b> | <b>p</b>  | <b>0.0%</b>   | <b>33.6%</b>  | <b>-5.2%</b> | <b>2.2</b>  | <b>3.3</b>  | <b>6.2</b>  | <b>2.2</b>  | <b>2.4</b>  | <b>6.5</b>  |
| <b>DPS</b>                    | <b>p</b>  | <b>0.0%</b>   | <b>0.0%</b>   | <b>0.0%</b>  | <b>0.5</b>  | <b>0.6</b>  | <b>0.7</b>  | <b>0.5</b>  | <b>0.6</b>  | <b>0.7</b>  |
| <b>EFCF (unadjusted cash)</b> | <b>£m</b> | <b>-39.3%</b> | <b>25.6%</b>  | <b>0.3%</b>  | <b>-0.4</b> | <b>1.4</b>  | <b>2.5</b>  | <b>-0.6</b> | <b>1.1</b>  | <b>2.4</b>  |
| <b>Net cash/(debt)</b>        | <b>£m</b> | <b>0.0%</b>   | <b>-13.1%</b> | <b>nm</b>    | <b>-3.4</b> | <b>-2.1</b> | <b>0.0</b>  | <b>-3.4</b> | <b>-2.4</b> | <b>-0.3</b> |

Source: Cavendish

## H1 progress highlights the platform's growth potential

The H1 v H2 split reflects Smart Machines scaling in H2

Figure 20: Interims in context

|                          |           | H1          | H2         | H1         | H2         | FY          | FY          | H1 23      | H1 24      |
|--------------------------|-----------|-------------|------------|------------|------------|-------------|-------------|------------|------------|
|                          |           | 2023        | 2023       | 2024       | 2024E      | 2023        | 2024E       | / FY23     | / FY24E    |
| Smart Zones              | £m        | 4.2         | 4.0        | 4.1        | 4.2        | 8.2         | 8.3         | 51%        | 50%        |
| Smart Machines           | £m        | 3.0         | 2.9        | 3.1        | 3.6        | 6.0         | 6.7         | 51%        | 46%        |
| <b>Group revenue</b>     | <b>£m</b> | <b>7.2</b>  | <b>6.9</b> | <b>7.2</b> | <b>7.8</b> | <b>14.1</b> | <b>15.0</b> | <b>51%</b> | <b>48%</b> |
| Group revenue growth     | %         | 13%         | 1%         | 0%         | 13%        | 7%          | 6%          |            |            |
| <b>Gross profit</b>      | <b>£m</b> | <b>4.6</b>  | <b>4.8</b> | <b>5.0</b> | <b>5.4</b> | <b>9.4</b>  | <b>10.4</b> | <b>49%</b> | <b>48%</b> |
| Gross profit growth      | %         | 14%         | 5%         | 8%         | 13%        | 10%         | 11%         |            |            |
| Gross margin             | %         | 64%         | 69%        | 69%        | 69%        | 66%         | 69%         |            |            |
| Adj opex                 | £m        | -3.2        | -2.6       | -3.4       | -3.0       | -5.8        | -6.4        | 55%        | 53%        |
| <b>Adj EBITDA</b>        | <b>£m</b> | <b>1.5</b>  | <b>2.2</b> | <b>1.6</b> | <b>2.4</b> | <b>3.6</b>  | <b>3.9</b>  | <b>40%</b> | <b>40%</b> |
| Adj EBITDA growth        | %         | 29%         | 26%        | 8%         | 9%         | 27%         | 9%          |            |            |
| Adj EBITDA margin        | %         | 20%         | 31%        | 22%        | 30%        | 26%         | 26%         |            |            |
| <b>Adjusted EBITA</b>    | <b>£m</b> | <b>1.2</b>  | <b>1.9</b> | <b>1.3</b> | <b>2.1</b> | <b>3.1</b>  | <b>3.4</b>  | <b>39%</b> | <b>38%</b> |
| Reported net income      | £m        | -0.1        | 0.2        | -0.2       | 0.6        | 0.2         | 0.4         |            |            |
| Adj net income           | £m        | 0.0         | 0.6        | 0.2        | 0.8        | 0.6         | 1.0         |            |            |
| <b>EFCF (unadj cash)</b> | <b>£m</b> | <b>-0.6</b> | <b>0.2</b> | <b>1.2</b> | <b>0.2</b> | <b>-0.4</b> | <b>1.4</b>  |            |            |
| Net cash/(debt)          | £m        | -3.6        | -3.4       | -2.1       | -2.1       | -3.4        | -2.1        |            |            |

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 +10-16% NTM Sales growth, 10-15x EV/EBITDA with +12-21% NTM EBITDA growth, and 3-5% EFCF yields

Figure 21: 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   |
|---|---------|--------------|------------|--------------|-------------|---------------|-------------|--------------|-------------|
| Aferian   | £       | 11           | 0.5        | 11.0%        | 3.4         | 78.2%         | nm          | nm           | 65.8%       |
| Big Technologies  | £       | 549          | 8.4        | 10.1%        | 14.3        | 8.6%          | 21.0        | 5.7%         | 5.1%        |
| Corero  | £       | 41           | 1.9        | 10.1%        | 18.1        | 41.4%         | nm          | nm           | 0.3%        |
| Microlise   | £       | 111          | 1.4        | 7.0%         | 9.7         | 13.6%         | 22.7        | 11.9%        | 5.3%        |
| Nexteq  | £       | 64           | 0.5        | 4.5%         | 3.9         | 10.7%         | 7.3         | 8.8%         | 12.5%       |
| Oxford Metrics  | £       | 130          | 1.4        | 9.7%         | 6.9         | 18.8%         | 19.8        | 12.6%        | 5.6%        |
| Quartix   | £       | 75           | 2.3        | 7.4%         | 13.6        | 4.2%          | 18.9        | -2.0%        |             |
| Seeing Machines   | £       | 216          | 3.7        | 22.0%        | nm          | nm            | nm          | nm           | -0.3%       |
| Thruvision  | £       | 30           | 2.1        | 30.0%        | nm          | nm            | nm          | nm           | -2.6%       |
| <b>Cav T40 &amp; N50 integrated software &amp; hardware peers</b>   |         | <b>75</b>    | <b>1.9</b> | <b>10.1%</b> | <b>9.7</b>  | <b>13.6%</b>  | <b>19.8</b> | <b>8.8%</b>  | <b>5.2%</b> |
| Bango   | £       | 134          | 3.0        | 18.3%        | 6.5         | 122.3%        | 11.6        | nm           | 5.4%        |
| Boku  | £       | 427          | 4.7        | 14.5%        | 14.1        | 15.1%         | 28.5        | 16.3%        | 3.8%        |
| Eckoh   | £       | 105          | 2.5        | 6.3%         | 9.7         | 8.6%          | 16.3        | 6.7%         | 5.4%        |
| Fonix   | £       | 212          | 2.7        | 7.8%         | 14.6        | 9.5%          | 21.9        | 6.1%         | 4.3%        |
| PCI-PAL   | £       | 31           | 1.5        | 30.5%        | 13.9        | nm            | 54.3        | nm           | -0.9%       |
| <b>Cav T40 &amp; N50 payments peers</b>                             |         | <b>134</b>   | <b>2.7</b> | <b>14.5%</b> | <b>13.9</b> | <b>12.3%</b>  | <b>21.9</b> | <b>6.7%</b>  | <b>4.3%</b> |
| 1Spatial  | £       | 51           | 1.5        | 17.7%        | 8.2         | 17.1%         | 15.8        | 30.3%        | 2.1%        |
| ActiveOps   | £       | 66           | 2.0        | 7.9%         | 33.5        | 84.1%         | 75.1        | 152.1%       | 4.8%        |
| Cerillion   | £       | 416          | 8.7        | 12.8%        | 20.2        | 7.1%          | 29.1        | 4.4%         | 2.6%        |
| D4t4  | £       | 72           | 1.8        | 17.9%        | 9.7         | 24.6%         | 15.6        | 23.8%        | 5.6%        |
| Eagle Eye   | £       | 147          | 2.3        | 17.1%        | 11.1        | 20.5%         | 33.5        | 86.4%        | 2.8%        |
| Eleco   | £       | 69           | 1.9        | 15.6%        | 8.9         | 21.8%         | 19.4        | 23.0%        | 43.0%       |
| ENGAGE XR   | £       | 12           | 0.1        | 35.3%        | nm          | nm            | nm          | nm           | -20.8%      |
| essensys  | £       | 25           | 0.7        | 6.0%         | 15.3        | nm            | nm          | nm           | -14.3%      |
| IQGeo   | £       | 190          | 3.9        | 18.2%        | 20.5        | 51.1%         | 39.2        | 97.7%        | 2.4%        |
| Tracsis   | £       | 286          | 3.2        | 5.3%         | 15.2        | 10.3%         | 23.0        | 5.5%         | 4.2%        |
| <b>Cav T40 &amp; N50 enterprise &amp; specialist software peers</b> |         | <b>71</b>    | <b>1.9</b> | <b>16.4%</b> | <b>15.2</b> | <b>21.1%</b>  | <b>26.1</b> | <b>27.1%</b> | <b>2.7%</b> |
| CavTech 40  |         | 288          | 2.4        | 8.3%         | 9.8         | 9.5%          | 17.8        | 6.7%         | 5.2%        |
| Cav Next 50   |         | 43           | 1.5        | 12.4%        | 8.7         | 23.1%         | 16.7        | 5.8%         | 4.7%        |

Source: Cavendish

## H1 progress highlights the platform's growth potential

We value Vianet at 210p based on 12x FY25 EV/EBITDA, and it currently trades on 12-month forward multiples of 1.5x EV/Sales with NTM Sales growth of +12%, EV/EBITDA of 5x with NTM EBITDA growth of +25%, and an EFCF yield of 9%

Figure 22: Vianet multiples at the current and target price, and Next Twelve Month (NTM) growth of the relevant financials

|                                |           |               | NTM    |  |  | At current: |             |              | At target:  |             |             |
|--------------------------------|-----------|---------------|--------|--|--|-------------|-------------|--------------|-------------|-------------|-------------|
|                                |           |               | Growth |  |  | 12m fwd     |             |              | 12m fwd     |             |             |
|                                |           |               |        |  |  | 79p         |             |              | 210p        |             |             |
|                                |           |               |        |  |  | 2024        |             |              | 2024        |             |             |
|                                |           |               |        |  |  | 2025        |             |              | 2025        |             |             |
| Diluted Shares outstanding     | m         |               |        |  |  | 30.6        | 30.6        |              | 30.6        | 30.6        |             |
| <b>Market cap (diluted)</b>    | <b>£m</b> |               |        |  |  | <b>24.2</b> | <b>24.2</b> |              | <b>64.2</b> | <b>64.3</b> |             |
| Net debt/(cash) inc leases     | £m        |               |        |  |  | 2.2         | 0.1         |              | 2.2         | 0.1         |             |
| Other EV adjustments           | £m        |               |        |  |  | 0.0         | 0.0         |              | 0.0         | 0.0         |             |
| <b>Rolling Group EV</b>        | <b>£m</b> |               |        |  |  | <b>26.4</b> | <b>24.3</b> |              | <b>66.5</b> | <b>64.5</b> |             |
| Adj net cash/(debt) /share     | p         |               |        |  |  | -6.8        | 0.0         |              | -6.8        | 0.0         |             |
| EV/Sales                       | x         | 11.8%         |        |  |  | 1.5         | 1.8         | 1.4          | 3.9         | 4.4         | 3.8         |
| <b>EV/EBITDA</b>               | <b>x</b>  | <b>25.0%</b>  |        |  |  | <b>5.2</b>  | <b>6.7</b>  | <b>4.7</b>   | <b>13.6</b> | <b>16.9</b> | <b>12.5</b> |
| EV/EBIT                        | x         | 86.6%         |        |  |  | 11.9        | 21.2        | 9.8          | 31.0        | 53.3        | 26.1        |
| EV/OpFCF (unadj cash)          | x         | 213.6%        |        |  |  | 9.7         | 20.6        | 7.7          | 25.2        | 51.9        | 20.4        |
| P/E (adjusted, diluted)        | x         | 80.0%         |        |  |  | 14.9        | 24.2        | 12.7         | 39.6        | 64.3        | 33.9        |
| P/E (reported, diluted)        | x         | 302.4%        |        |  |  | 18.3        | 60.7        | 14.0         | 48.5        | 161.4       | 37.2        |
| <b>EFCF yield (unadj cash)</b> | <b>%</b>  | <b>146.7%</b> |        |  |  | <b>8.8%</b> | <b>5.8%</b> | <b>10.2%</b> | <b>3.3%</b> | <b>2.2%</b> | <b>3.8%</b> |
| <b>Dividend yield</b>          | <b>%</b>  | <b>17.6%</b>  |        |  |  | <b>0.8%</b> | <b>0.8%</b> | <b>0.9%</b>  | <b>0.3%</b> | <b>0.3%</b> | <b>0.3%</b> |
| Adj ND/EBITDA exc leases       | x         | 25.0%         |        |  |  | 0.1         | 0.5         | 0.0          | 0.1         | 0.5         | 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 23: Major Vianet shareholders**

| Shareholder                          | %     |
|--------------------------------------|-------|
| James Dickson (CEO & Chairman)       | 17.3% |
| Gresham House                        | 17.2% |
| Liontrust Asset Management           | 8.5%  |
| Interactive Investor Trading         | 5.2%  |
| AXA Investment Managers UK           | 5.1%  |
| Hargreaves Lansdown Asset Management | 4.0%  |
| Canaccord Genuity Group              | 3.8%  |
| Teviot Partners                      | 3.2%  |
| Downing LLP                          | 2.7%  |

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 Brulines 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 18 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 24: Vianet Need to Know

|                                |   |
|--------------------------------|---|
| <b>Offices</b>                 | Stockton-on-Tees  |
| <b>Revenue model</b>           | >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   |
| <b>Revenue split</b>           | In FY23: c60% / £8.2m from Smart Zones, c40% / £6.0m from Smart Machines  |
| <b>Number of customers</b>     | c10k customer sites in Smart Zones, and c35k machines in Smart Machines   |
| <b>Staff</b>                   | 141 (FY23 average)  |
| <b>IPO</b>                     | 26/10/2006 (AIM) as Brulines, and changed its name to Vianet in April 2012  |
| <b>Latest M&amp;A activity</b> | 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) |
| <b>Year end</b>                | March   |
| <b>Website</b>                 | <a href="https://vianetplc.com/investors/investing-in-vianet/">https://vianetplc.com/investors/investing-in-vianet/</a>   |

Source: Cavendish



## H1 progress highlights the platform's growth potential

| Income statement                          |           | 2021A       | 2022A       | 2023A       | 2024E       | 2025E       |
|---|-----------|-------------|-------------|-------------|-------------|-------------|
| Year end:                                 |           | Mar         | Mar         | Mar         | Mar         | Mar         |
| <b>Sales</b>                              | <b>£m</b> | <b>8.4</b>  | <b>13.2</b> | <b>14.1</b> | <b>15.0</b> | <b>17.1</b> |
| Cost of sales                             | £m        | -3.3        | -4.7        | -4.7        | -4.6        | -5.2        |
| <b>Gross profit</b>                       | <b>£m</b> | <b>5.1</b>  | <b>8.6</b>  | <b>9.4</b>  | <b>10.4</b> | <b>11.9</b> |
| Operating expenses                        | £m        | -5.2        | -5.7        | -5.8        | -6.4        | -6.8        |
| <b>EBITDA (adjusted)</b>                  | <b>£m</b> | <b>-0.1</b> | <b>2.9</b>  | <b>3.6</b>  | <b>3.9</b>  | <b>5.2</b>  |
| Depreciation                              | £m        | -0.6        | -0.5        | -0.5        | -0.5        | -0.5        |
| Amortisation                              | £m        | -1.7        | -2.2        | -2.3        | -2.2        | -2.2        |
| <b>EBIT (adjusted)</b>                    | <b>£m</b> | <b>-2.4</b> | <b>0.2</b>  | <b>0.8</b>  | <b>1.2</b>  | <b>2.5</b>  |
| 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        |
| <b>PBT (adjusted)</b>                     | <b>£m</b> | <b>-2.4</b> | <b>0.0</b>  | <b>0.6</b>  | <b>1.0</b>  | <b>2.2</b>  |
| <i>restructuring costs</i>                | <i>£m</i> | <i>-0.1</i> | <i>-0.1</i> | <i>-0.1</i> | <i>-0.5</i> | <i>-0.1</i> |
| <i>share based payments</i>               | <i>£m</i> | <i>-0.1</i> | <i>-0.1</i> | <i>-0.1</i> | <i>-0.1</i> | <i>-0.1</i> |
| <i>other adjustments</i>                  | <i>£m</i> | <i>-0.2</i> | <i>-0.0</i> | <i>-0.0</i> | <i>0.0</i>  | <i>0.0</i>  |
| Total adjustments                         | £m        | -0.4        | -0.2        | -0.2        | -0.6        | -0.2        |
| <b>PBT (stated)</b>                       | <b>£m</b> | <b>-2.8</b> | <b>-0.2</b> | <b>0.5</b>  | <b>0.4</b>  | <b>2.0</b>  |
| Tax charge                                | £m        | 0.9         | 0.4         | -0.3        | 0.0         | -0.3        |
| <i>tax rate</i>                           | <i>%</i>  | <i>n/a</i>  | <i>n/a</i>  | <i>64.4</i> | <i>0.0</i>  | <i>15.0</i> |
| Minorities                                | £m        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Reported earnings</b>                  | <b>£m</b> | <b>-2.0</b> | <b>0.2</b>  | <b>0.2</b>  | <b>0.4</b>  | <b>1.7</b>  |
| Tax effect of adjustments / other         | £m        | 0.0         | 0.0         | 0.3         | 0.0         | 0.0         |
| <b>Adjusted earnings</b>                  | <b>£m</b> | <b>-1.5</b> | <b>0.4</b>  | <b>0.6</b>  | <b>1.0</b>  | <b>1.9</b>  |
| <i>shares in issue (year end)</i>         | <i>m</i>  | <i>29.0</i> | <i>28.8</i> | <i>28.8</i> | <i>29.6</i> | <i>29.6</i> |
| <i>shares in issue (weighted average)</i> | <i>m</i>  | <i>29.0</i> | <i>28.9</i> | <i>28.8</i> | <i>29.5</i> | <i>29.6</i> |
| <i>shares in issue (fully diluted)</i>    | <i>m</i>  | <i>29.0</i> | <i>29.2</i> | <i>28.9</i> | <i>30.6</i> | <i>30.6</i> |
| <b>EPS (adjusted, fully diluted)</b>      | <b>p</b>  | <b>-5.3</b> | <b>1.3</b>  | <b>2.2</b>  | <b>3.3</b>  | <b>6.2</b>  |
| EPS (stated)                              | p         | -6.8        | 0.6         | 0.6         | 1.3         | 5.7         |
| <b>DPS</b>                                | <b>p</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.5</b>  | <b>0.6</b>  | <b>0.7</b>  |

| Growth analysis (adjusted basis where applicable) |   |         |        |        |       |        |
|---|---|---------|--------|--------|-------|--------|
| Sales growth                                      | % | -48.6%  | 57.9%  | 6.8%   | 6.4%  | 14.0%  |
| EBITDA growth                                     | % | -102.6% | n/m    | 26.9%  | 8.6%  | 31.6%  |
| EBIT growth                                       | % | -189.2% | 107.1% | 404.2% | 47.3% | 98.3%  |
| PBT growth  | % | -195.2% | 101.2% | n/m    | 52.7% | 125.0% |
| EPS growth  | % | -159.7% | 125.1% | 66.5%  | 47.2% | 89.7%  |
| DPS growth  | % | n/m     | n/m    | n/m    | 20.0% | 16.7%  |

| Profitability analysis (adjusted basis where applicable) |   |        |       |       |       |       |
|--|---|--------|-------|-------|-------|-------|
| Gross margin   | % | 60.5%  | 64.8% | 66.4% | 69.1% | 69.7% |
| EBITDA margin  | % | -1.5%  | 21.6% | 25.6% | 26.2% | 30.2% |
| EBIT margin  | % | -28.2% | 1.3%  | 6.0%  | 8.3%  | 14.4% |
| PBT margin   | % | -28.7% | 0.2%  | 4.5%  | 6.5%  | 12.9% |
| Net margin   | % | -18.4% | 3.0%  | 4.5%  | 6.5%  | 11.1% |

## H1 progress highlights the platform's growth potential

| Cash flow                                  |           | 2021A       | 2022A       | 2023A       | 2024E       | 2025E      |
|--|-----------|-------------|-------------|-------------|-------------|------------|
| Year end:                                  |           | Mar         | Mar         | Mar         | Mar         | Mar        |
| EBITDA                                     | £m        | -0.1        | 2.9         | 3.6         | 3.9         | 5.2        |
| Net change in working capital              | £m        | 1.4         | -0.3        | -1.5        | -0.5        | 0.2        |
| 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        | -0.5        | -0.1       |
| <b>Cash flow from operating activities</b> | <b>£m</b> | <b>1.1</b>  | <b>2.4</b>  | <b>2.0</b>  | <b>3.0</b>  | <b>5.2</b> |
| 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        | -2.2        | -2.2       |
| Other items                                | £m        | -0.1        | -0.0        | 0.2         | -0.0        | -0.0       |
| <b>Free cash flow</b>                      | <b>£m</b> | <b>-1.7</b> | <b>-0.2</b> | <b>-0.4</b> | <b>1.4</b>  | <b>2.5</b> |
| 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         | 0.0         | 0.0        |
| <b>Net change in cash flow</b>             | <b>£m</b> | <b>-1.7</b> | <b>-0.3</b> | <b>-0.4</b> | <b>1.3</b>  | <b>2.1</b> |
| Opening net cash (debt)                    | £m        | -1.0        | -2.7        | -3.0        | -3.4        | -2.1       |
| <b>Closing net cash (debt)</b>             | <b>£m</b> | <b>-2.7</b> | <b>-3.0</b> | <b>-3.4</b> | <b>-2.1</b> | <b>0.0</b> |

| Cash flow analysis                                |    |       |         |         |       |        |
|---|----|-------|---------|---------|-------|--------|
| Cash conversion (op cash flow / EBITDA)           | %  | n/m   | 84.0%   | 56.3%   | 75.7% | 101.4% |
| Cash conversion (free cash flow / EBITDA)         | %  | n/m   | -7.7%   | -9.9%   | 35.6% | 47.5%  |
| Underlying free cash flow (capex = depreciation)  | £m | -1.3  | -0.5    | -0.8    | 0.9   | 1.9    |
| Cash quality (underlying FCF / adjusted earnings) | %  | 84.1% | -115.9% | -121.1% | 93.6% | 102.6% |
| Investment rate (capex / depn)                    | x  | 4.6   | 5.0     | 4.5     | 4.1   | 4.1    |
| Interest cash cover                               | x  | 21.0  | 17.4    | 9.9     | 11.1  | 19.4   |
| Dividend cash cover                               | x  | n/a   | n/a     | n/a     | 9.5   | 13.8   |

## H1 progress highlights the platform's growth potential

| Balance sheet                 |           | 2021A       | 2022A       | 2023A       | 2024E       | 2025E       |
|-------------------------------|-----------|-------------|-------------|-------------|-------------|-------------|
| Year end:                     |           | Mar         | Mar         | Mar         | Mar         | Mar         |
| Tangible fixed assets         | £m        | 3.4         | 3.3         | 3.4         | 3.3         | 3.4         |
| Goodwill                      | £m        | 17.9        | 17.9        | 17.9        | 18.0        | 18.0        |
| Other intangibles             | £m        | 6.2         | 6.0         | 5.4         | 5.4         | 4.7         |
| Other non current assets      | £m        | 0.2         | 0.4         | 0.0         | 0.0         | 0.0         |
| <i>inventories</i>            | £m        | 1.4         | 1.6         | 2.3         | 2.0         | 2.2         |
| <i>trade receivables</i>      | £m        | 2.8         | 2.7         | 3.8         | 3.5         | 4.0         |
| <i>trade payables</i>         | £m        | -3.3        | -3.0        | -2.3        | -2.2        | -3.2        |
| Net working capital           | £m        | 0.9         | 1.3         | 3.7         | 3.3         | 3.1         |
| Other assets                  | £m        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Other liabilities             | £m        | -0.1        | 0.0         | -0.8        | -0.8        | -0.6        |
| Gross cash & cash equivalents | £m        | 1.9         | 1.6         | 0.1         | 1.1         | 2.8         |
| <b>Capital employed</b>       | <b>£m</b> | <b>30.4</b> | <b>30.3</b> | <b>29.6</b> | <b>30.3</b> | <b>31.5</b> |
| Gross debt                    | £m        | 4.6         | 4.6         | 3.6         | 3.4         | 3.0         |
| Net pension liability         | £m        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Shareholders equity           | £m        | 25.8        | 25.7        | 26.0        | 26.9        | 28.5        |
| Minorities                    | £m        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Capital employed</b>       | <b>£m</b> | <b>30.4</b> | <b>30.3</b> | <b>29.6</b> | <b>30.3</b> | <b>31.5</b> |

| Leverage analysis              |   |       |       |       |       |      |
|--------------------------------|---|-------|-------|-------|-------|------|
| Net debt / equity              | % | 10.5% | 11.8% | 13.7% | 8.4%  | 0.5% |
| Net debt / EBITDA              | x | n/a   | 1.1   | 1.0   | 0.6   | 0.0  |
| Liabilities / capital employed | % | 15.2% | 15.2% | 12.3% | 11.2% | 9.4% |

| Working capital analysis    |      |       |      |       |       |       |
|-----------------------------|------|-------|------|-------|-------|-------|
| Net working capital / sales | %    | 11.1% | 9.7% | 26.3% | 21.6% | 18.0% |
| Net working capital / sales | days | 41    | 35   | 96    | 79    | 66    |
| Inventory (days)            | days | 62    | 43   | 59    | 48    | 48    |
| Receivables (days)          | days | 120   | 74   | 98    | 86    | 86    |
| Payables (days)             | days | 142   | 82   | 61    | 54    | 67    |

| Capital efficiency & intrinsic value   |   |       |       |       |      |      |
|--|---|-------|-------|-------|------|------|
| Adjusted return on equity              | % | -6.0% | 1.5%  | 2.5%  | 3.6% | 6.7% |
| RoCE (EBIT basis, pre-tax)             | % | -7.7% | 0.6%  | 2.9%  | 4.1% | 7.9% |
| RoCE (underlying free cash flow basis) | % | -4.3% | -1.5% | -2.6% | 3.0% | 6.2% |
| NAV per share                          | p | 89.1  | 89.3  | 90.1  | 90.8 | 96.2 |
| NTA per share                          | p | 6.1   | 6.6   | 9.3   | 11.8 | 19.4 |

## H1 progress highlights the platform's growth potential

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Definition of research recommendations

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

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## H1 progress highlights the platform's growth potential

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