

Max21

Technology

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Restructured for growth

Max21 has almost completed a double repositioning. It has slimmed down to two core businesses and in turn, they have been refocused on scalable business models generating recurring streams of service revenue. Both businesses are placed in segments with good growth prospects: Binect in hybrid business communication and Keyidentity in multi-factor authentication security.

Huge, untouched market for hybrid communication

Binect provides a range of systems with which enterprises can digitalise postal business mail. Max21 puts the potential addressable market in Germany at 6-8bn letters annually compared to the 100m that it is currently processing. Take up of Binect systems has met expectations but usage (the key source of revenue) is still lagging.

First major MFA client signed in H117

Keyidentity provides multi-factor authentication (MFA) security systems for secure network access, portals and transactions. The systems combine physical tokens and one-time pass-codes. Keyidentity won its first major domestic enterprise customer in H117 but the sales cycle is slow. It is currently addressing international markets via a value-added reseller but may seek a closer form of partnership arrangement. The market is expected to show CAGR in the high teens over the medium term as network security receives ever higher priority, in part driven by regulation.

Both subsidiaries should reach breakeven in 2018

Slow contract acquisition mean that both subsidiaries are in the red with losses of €3.3m at the EBT level in H117. Trends in recurring revenues are more encouraging, especially at Keyidentity which Max21 expects to breakeven in H218. Cost reductions offer the prospect of breakeven at Binect in Q118. A share issue brought in €4.3m in H117 leaving Max21 with manageable net borrowings but further financing may be required.

Valuation: Uncertain basis

Lack of profits and consensus forecasts hamper comparative valuation. Reported NAV is €1.57/share but intangibles and tax losses, whose value depends on future profitability, account for 90% of total assets.

Price €1.4
Market cap €23m

Share details

Code	MA1
Shares in issue	16.1m
Net debt (€m) as at 30 June 2017	0.56

Business description

Max21 is a technology investment company with 100% stakes in two core subsidiaries: Binect in hybrid business communication and Keyidentity in network security.

Bull

- Surface of hybrid business communication market barely scratched.
- Network security market growth driven by multiple threats.
- Highly scalable recurring revenue model for both businesses.

Bear

- Breakeven deferred.
- Long sales cycles.
- Extra financing may be required.

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Historical financials

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
06/14	0.5	(0.3)	N/A	0.0	N/A	N/A
06/15	0.6	(0.6)	N/A	0.0	N/A	N/A
12/15*	3.3	(1.9)	(0.16)	0.0	N/A	N/A
12/16	6.4	(7.3)	(0.52)	0.0	N/A	N/A

Source: Max21 data. Note: *Year end changed.

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