

1Spatial

Deal flow

Progress in the US

1Spatial's agreement with the State of Michigan Department of Technology shows further evidence that the company is making progress in the key US market and that the recovery plan is on track. As a state level agreement, it is also strategically interesting in that it can potentially open doors to other agencies which feed into the programme.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	EV/Sales (x)	P/E (x)
01/16	18.3	1.1	0.16	0.0	1.6	25
01/17	22.1	(2.4)	(0.33)	0.0	1.4	N/A
01/18e	23.8	(0.6)	(0.08)	0.0	1.3	N/A
01/19e	25.6	(0.2)	(0.03)	0.0	1.2	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

The agreement is to provide software and services as part of the Michigan Geographic Framework (MGF), an initiative aimed at creating and maintaining a single 'official' base map for state business needs. It will be provided through a subcontract with ESRI, the world's largest GIS software business, with whom 1Spatial has had a partnership since 2014. While the ESRI partnership has not delivered the volume of deals initially anticipated, it shows that this channel is still very much live despite the company's investment back into its direct sales capability.

The deal is worth a total of \$766k of which \$361k is for services (\$86k has been delivered already) while the licence fee is \$405,000, split into five annual instalments. Consequently, it is unlikely to make a significant contribution to the P&L for the year to 31 January 2018. Nevertheless, we remain comfortable with our estimates and the deal gives us encouragement that 1Spatial is on track with its recovery plan.

We retain our view that with good execution, 1Spatial has the ingredients to deliver meaningful upside. The GIS market is large (\$9bn according to P&S Market Research) and growing at a double-digit rate, while 1Spatial's customer base, technology and expertise give the business a good platform to expand.

Software & computer services

11 January 2018

Price 4.05p

Market cap £31m

Net cash (£m) at 31 July 2017 0.3

Shares in issue 760.5m

Free float 83%

Code SPA

Primary exchange AIM

Secondary exchange N/A

Share price performance



Business description

1Spatial's core technology validates, rectifies and enhances customers' geospatial data. The combination of its software and advisory services reduces the need for costly manual checking and correcting of data.

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