

Pelatro

IT & managed services

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Big data analytics for telecoms

Pelatro's demonstration of its mViva marketing platform at a recent capital markets day revealed the scope of its big data analytics capabilities and interactive user interface. Ease of use by non-technical staff and the ability to quickly launch and analyse complex marketing initiatives are key differentiators. With its focus on client retention and revenue stimulation, which are now of vital importance to the stagnant telecom sector, its client base is growing fast. In 2018 it rose by eight to 14 clients including Telenor, Tele2 and SingTel. Pelatro trades at a significant discount to its peers on a 2018e EV/EBITDA of 9.2x.

Gartner rated 'competitive vendor'

Pelatro's mViva solution contains a range of tools including contextual marketing, revenue-boosting gamification and loyalty management as well as interfaces for customer-facing staff with analytics based 'best offers'. Positively, Gartner rates Pelatro as a competitive vendor in multichannel campaign management based on its 'ability to execute and its completeness of vision'. While a managed services model is planned, the bulk of current revenues are one-off perpetual licence fees, ring-fenced to client customer numbers, plus change requests.

Building scale to benefit from operational gearing

With a highly scalable product, Pelatro is focused on building its customer base, cross-selling and winning local/global. A good example occurred in 2018 when PLTRO acquired a global framework agreement with Telenor for a contextual marketing platform and was able to add a loyalty management solution two months later. With the pace and quality of client gains, Pelatro's existing \$4m order backlog and \$15m sales pipeline, we see Pelatro as well positioned to achieve FY19e revenue and EBITDA consensus.

Valuation: Strong growth prospects and net cash

Pelatro trades on a prospective FY1 EV/sales of 5.5x, which is a 12% premium compared to the sector median of 4.9x, and an EV/EBITDA of 9.2x, which is a 77% discount to the sector median. We expect market share gains among the world's 360+ telecoms enterprises and a forecast 22.9% CAGR in the customer experience management (CEM) market to 2025 (Grand View Research) to provide a strong environment for rapid growth in recurring managed services revenues. Helped by strong operating leverage, this should support ongoing earnings growth. Pelatro offers strong growth prospects and a net cash positive balance sheet at attractive multiples.

Consensus estimates

Year end	Revenue (\$m)	EBITDA (\$m)	PBT (\$m)	EPS (c)	DPS (c)	EV/EBITDA (x)	P/E (x)
12/16	1.2	0.5	0.4	1.9	0.0	66.0	56.0
12/17	3.1	2.0	1.8	6.6	0.0	16.5	16.1
12/18e	6.0	3.6	2.9	9.0	0.0	9.2	11.8
12/19e	10.5	7.0	6.0	15.0	0.0	4.7	7.1

Source: Refinitiv

Price 82p
Market cap £27m
\$1=£0.77

Share price graph



Share details

Code PTRO
Listing AIM
Shares in issue 32.53m

Business description

Pelatro provides telecoms operators with platform-based precision marketing software. The suite of tools on the mViva-brand platform include contextual marketing, loyalty management, data monetisation and gamification. They also enable non-technical staff to create and analyse complex multi-channel marketing campaigns. mViva also supports customer-facing staff with real-time client profile and actionable ideas. It listed on AIM in 2017.

Bull

- High degree of specialisation and platform utility should aid penetration of the telecom sector in the face of largely generic competition.
- Significant scope for growth with 300+ potential telecom clients; the CEM market's CAGR is forecast at 22.9% to 2025 (Grand View Research).
- Attractive valuation multiples, and \$1.6m net cash.

Bear

- The bulk of current revenues are still one-off from initial platform sales plus platform tailoring charges.
- Small player competing in a sector dominated by large operators.
- Business oriented to a single sector.

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