

# AFERIAN

## SOFTWARE AND COMPUTER SERVICES

13 December 2021

AFRN.L

160p

Market Cap: £135.6m

### SHARE PRICE (p)



12m high/low 170p/118p

Source: LSE Data

### KEY DATA

Net (Debt)/Cash	\$14.0m (at 30/11/21)
Enterprise value	£124.6m
Index/market	AIM
Next news	FY results, w/c 7 Feb 22
Shares in Issue (m)	84.9
Chairman	Karen Bach
Chief Executive	Donald McGarva
Finance Director	Mark Carlisle

### COMPANY DESCRIPTION

Aferian is a global Media Tech company that delivers modern TV and video experiences.

[www.aferian.com](http://www.aferian.com)

AFERIAN IS A RESEARCH CLIENT OF PROGRESSIVE

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## Strong trading, all key metrics ahead of FY20A

Aferian's trading update for the year ending November 2021 signals the business has performed extremely strongly against a backdrop of COVID-19 driven challenges. At approximately \$92m, revenue is c.11% higher than FY20A and ahead of our forecast. The period also saw an improvement in earnings quality and visibility. The group's financial position remains robust, and, in our view, the new (increased) \$100m debt facility demonstrates confidence in the outlook. We leave underlying estimates unchanged following the announcement and believe the group remains well placed to capture growth from the ongoing structural shifts in TV consumption.

- Strong trading performance against a challenging market backdrop.** Against a backdrop of ongoing supply chain issues (semiconductor shortages) and market uncertainty, the release confirms that trading has been strong. At approximately \$92m, FY21E revenue is c.11% higher than FY20A and ahead of our \$85m forecast. The release also signals that adjusted operating grew over 10% YoY. We leave our estimates unchanged ahead of full-year results due in February.
- Improved earnings quality & visibility.** Higher-margin software and services revenues grew 15% YoY during the period to \$22.5m – 24% of the group total. Of the \$22.5m, c.\$13m was recurring (+17% YoY). Revenue visibility also improved, with exit run-rate Annual Recurring Revenue of approximately \$15m (+42% YoY). Devices revenue visibility is further improved with clients now placing orders up to 60 weeks in advance due to extended lead times in the supply chain.
- Robust cash position, new banking facility signed.** The group's net cash positioned improved by \$4.5m during the year to close at \$14.0m. Although lower than our \$17.0m forecast, we note that some device shipments were pushed close to the year-end, with the result that cash will be collected post period-end, an effect we had underestimated. The group has also signed a new (increased) \$100m banking facility with Barclays, Silicon Valley Bank and Bank of Ireland.

Overall, we believe this is a very positive announcement from Aferian. The backdrop remains challenging, yet the business continues to demonstrate impressive momentum. The financial position remains robust, providing a strong underpinning for the group's existing operations and also improving flexibility to pursue the acquisitions required to fully deliver the 2025 strategy.

FYE NOV (\$M)	2018	2019	2020	2021E	2022E
Revenue	88.9	77.2	82.7	85.1	89.5
Adj EBITDA	16.8	14.8	16.7	20.2	22.6
Fully Adj PBT	11.2	9.4	9.8	12.0	13.7
Fully Adj EPS (c)	15.5	10.8	9.9	12.8	14.1
EV/EBITDA (x)	9.5x	10.7x	9.5x	7.8x	7.0x
PER (x)	13.1x	18.8x	20.6x	15.8x	14.4x
Dividend yield	4.6%	1.1%	1.2%	2.1%	2.3%

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

**Financial Summary: Aferian**
**Year end: November (\$m unless shown)**

	2018	2019	2020	2021E	2022E
<b>PROFIT &amp; LOSS</b>					
Revenue	88.9	77.2	82.7	85.1	89.5
Adj EBITDA	16.8	14.8	16.7	20.2	22.6
Adj EBIT	11.2	10.2	10.5	12.2	13.9
Reported PBT	7.7	3.5	4.4	6.3	9.6
Fully Adj PBT	11.2	9.4	9.8	12.0	13.7
NOPAT	11.2	10.2	10.5	12.2	13.9
Reported EPS (c)	10.7	4.0	4.0	5.9	9.2
Fully Adj EPS (c)	15.5	10.8	9.9	12.8	14.1
Dividend per share (p)	7.3	1.7	1.9	3.3	3.7
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	14.3	13.8	16.4	14.9	21.6
Free Cash flow	9.5	8.5	8.9	2.9	11.1
FCF per share (c)	13.0	11.3	11.5	3.6	13.1
Capex	(4.8)	(4.2)	(5.8)	(7.8)	(7.8)
Acquisitions	0.0	(18.9)	(0.2)	(7.8)	(0.2)
Dividends	(6.8)	(6.9)	0.0	(3.0)	(4.6)
Net cash flow	2.9	(11.7)	0.9	(5.1)	6.3
Shares issued	0.0	0.0	0.0	12.6	0.0
Other movements	0.0	0.0	0.0	0.0	0.0
Net (Debt)/Cash	20.3	1.4	9.5	17.0	23.3
<b>NAV AND RETURNS</b>					
Net asset value	73.5	76.3	79.0	83.8	91.6
NAV/share (c)	100.9	101.3	101.7	102.7	108.3
Net Tangible Asset Value	1.0	1.2	1.4	1.6	1.8
NTAV/share (c)	1.4	1.6	1.9	2.0	2.2
Average equity	73.3	74.9	77.7	81.4	87.7
Post-tax ROE (%)	10.6%	3.8%	3.4%	5.9%	8.9%
<b>METRICS</b>		2019	2020	2021E	2022E
Revenue growth		(13.2%)	7.1%	2.9%	5.2%
Adj EBITDA growth		(11.6%)	12.8%	21.2%	11.5%
Adj EBIT growth		(8.4%)	2.5%	16.8%	13.4%
Adj PBT growth		(16.3%)	4.3%	23.1%	13.6%
Adj EPS growth		(30.1%)	(8.7%)	30.2%	9.7%
Dividend growth		(77.0%)	11.3%	78.0%	9.7%
Adj EBIT margins		13.2%	12.7%	14.4%	15.5%
<b>VALUATION</b>		2019	2020	2021E	2022E
EV/Sales (x)	1.8	2.1	1.9	1.9	1.8
EV/EBITDA (x)	9.5	10.7	9.5	7.8	7.0
EV/NOPAT (x)	14.2	15.5	15.1	13.0	11.4
PER (x)	13.1	18.8	20.6	15.8	14.4
Dividend yield	4.6%	1.1%	1.2%	2.1%	2.3%
FCF yield	6.4%	5.5%	5.7%	1.8%	6.4%

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

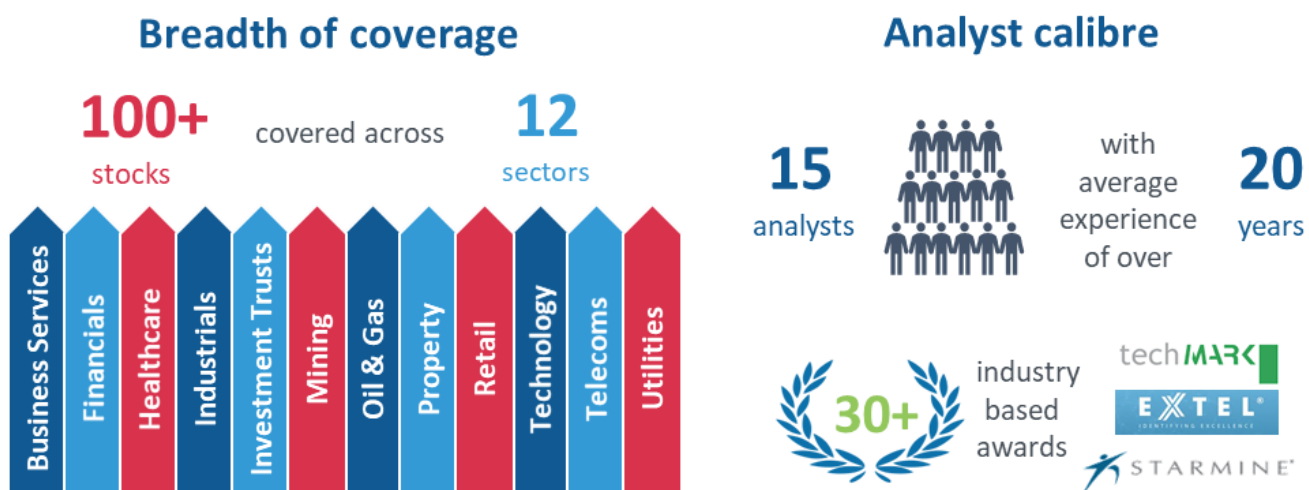
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