

1Spatial

FY25 results

Strategic progress, extended decision cycles

1Spatial's FY25 results were in line with the March trading update, with continued robust growth in recurring software revenues offset by weakness in services. We remain confident that 1Spatial is laying the groundwork to deliver sustained operationally leveraged growth and, notably, several new 1Streetworks contracts are in final-stage negotiations. However, near-time decision cycles remain sluggish, which leads us to pare back our FY26 revenue estimate by 7%, with operational leverage resulting in more material reductions in profitability. Even on cautious assumptions, the continuing transition to higher-margin revenues should drive a robust margin recovery in FY27.

Year end	Revenue (£m)	EBITDA (£m)	EBIT (£m)	EPS (p)	EV/EBITDA (x)	P/E (x)
1/24	32.3	5.5	2.5	1.40	10.6	31.7
1/25	33.4	5.6	1.8	0.76	10.3	58.8
1/26e	36.0	6.1	2.0	0.79	9.6	56.1
1/27e	38.3	8.1	3.8	2.11	7.1	21.1

Note: EBITDA, EBIT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Transition to recurring software continues

Revenue performance in FY25 (revenues +27% to £20.7m) reflected the positive transition to higher-margin recurring revenue streams (term licences +27% to £20.7m, SaaS +400% to £1.0m) offset by long decision cycles and delays to a large service contract, with service revenues reducing by 9% to £11.8m. EBITDA grew 3% to £5.6m, with adjusted PBT of £1.2m (vs £2.1m in FY24) reducing due to higher depreciation and finance charges. Net debt was £1.1m (FY24 net cash £1.1m), reflecting 1Spatial's ongoing investment in product development.

Revising estimates to reflect sluggish decision cycles

We revise our FY26 growth estimate to 8% from 16% previously to reflect the sluggish decision cycles in US government and transport/infrastructure investment generally. Operational leverage, higher D&A and interest costs mean EBITDA and adjusted EPS are reduced by 20% and 65%, respectively. We introduce FY27 estimates and assume continued growth in software with some pick-up in services. We believe these forecasts reflect a relatively cautious scenario, but the transition to higher-margin, recurring revenues and operational leverage nevertheless drives robust margin expansion. Accelerating adoption of 1Streetworks and a pick-up in US sales, supported recent investment in the sales team could be upside catalysts.

Valuation: Growth and margin expansion not reflected

1Spatial's EV/sales ratio of 1.6x for FY26 is an interesting recovery multiple for a software company, with the average for smaller software companies c 2x+. We continue to believe the long-term growth and margin expansion story remains good. Some end markets are currently disrupted, they are also large, and we continue to believe that 1Spatial's geospatial data management capability is a differentiated and relevant proposition when extracting value from data is becoming a core business competence. Evidence of a pick-up in the win rate, particularly from 1Spatial's SaaS products, would be a key catalyst for estimates upside and a share price recovery.

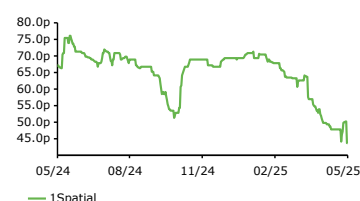
Software and comp services

8 May 2025

Price 44.50p
Market cap £57m

Net cash/(debt) at 31 January 2025 £(1.1)m
Shares in issue 111.3m
Code SPA
Primary exchange AIM
Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	1.0	(25.0)	(23.9)
52-week high/low		76.5p	44.5p

Business description

1Spatial's core technology validates, rectifies and enhances geospatial data. Its enterprise solutions ensure data is accurate, compliant and efficiently managed across government, utilities and transportation. The company's SaaS products address specific workflow bottlenecks, most notably automating the creation of traffic management plans.

Next events

AGM June/July 2025

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Positive on growth prospects remain strong despite near-term headwinds

1Spatial has been investing in its transition to a higher-margin, recurring software model for a number of years, which is reflected in the 35% growth in software sales (term licence and SaaS) to £11.5m in FY25. The company is exposed to some end markets that are disrupted however, particularly US government, where factors such as the change of government and DOGE initiatives will inevitably make closing business more difficult. Moreover, in 1Streetworks, we believe that 1Spatial has a highly promising product, but it does introduce new workflows into a conservative industry, so driving uptake takes time and investment.

Nevertheless, we remain confident that 1Spatial is laying the groundwork to deliver an uptick in operationally leveraged growth:

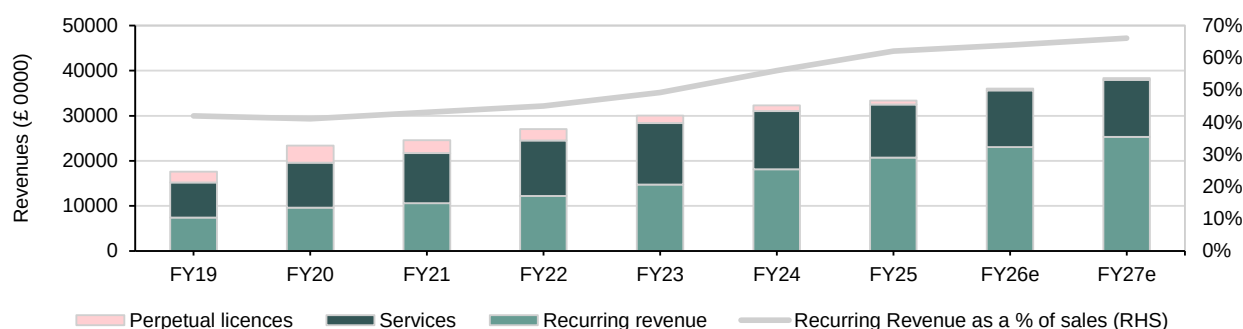
Structurally well-placed: Most fundamentally, we believe that 1Spatial's core competence and IP in geospatial master data management puts the company in an attractive position. Extracting value from datasets is becoming a core business competence across many sectors. The company also operates in markets that are under-digitised, in which collecting, managing and leveraging geospatial data can play a major role in driving efficiency, collaboration and supporting AI and Digital Twin initiatives.

1Streetworks: As discussed earlier, penetrating this market is taking time. However, in UK Power Networks, Surrey and Kent County Councils the company now has an established reference customer base. UK Power Networks is a positive advocate for the product, and Kent County Council's estimate that using the product could support a reduction in road closures of 40% is extremely noteworthy. The company reports that several new 1Streetworks contracts are in the final stages of negotiation. Closure of these deals will grow the company's recurring revenue base and should reduce reticence elsewhere in the market. The ability of the platform to enable collaboration between different agencies is delivering significant benefits, which should support sales uptake between adjacent agencies. These network effects should grow as the customer base expands.

Investment in key sales staff: 1Spatial has made strategic investments in its sales team to support growth initiatives. In the UK and Ireland, it appointed Nabil Lodey as the new managing director and a new sales director for 1Streetworks. In the US, the company has hired a new director of professional services and established a business development team focused on the NG9-1-1 market. We expect this investment to support faster growth and margin expansion from FY27 onwards. Resources will also be focused on more resilient market sectors such as utilities, transport and public safety in the near term.

Growing recurring revenue base: Recurring revenues grew by 14.5% in FY25 and accounted for 62% of total revenues, up from 45% in FY22, and management is confident of delivering further growth in recurring software revenues in FY26. As this stronger foundation of recurring revenues offsets more costs, incremental revenues will start to drop more strongly through to profits and cash flows.

Exhibit 1: Long-term improvement in revenue mix



Source: Company data, Edison Group

More benign market conditions: Global economic conditions remain difficult, but FY25 exceptional turbulence, with elections in the UK and US, the latter of which has been followed by a significant focus on government spend with the DOGE initiative.

Estimates and changes

Our estimate changes are detailed in Exhibit 2.

Forecasts moderated but still expect a pick-up in growth in FY26

Despite reducing our FY26 estimate by 7%, we still anticipate growth to pick up to 8% from 3% in FY26. Management is anticipating growth across all its geographies in its Enterprise business, while it is also seeing signs of recovery in the US market. Service revenue should expand again with commencement of the large Belgian contract, albeit at a modest margin. As a result we expect gross margin to remain relatively flat, with EBITDA margins also remaining flat at 17% with gross profit improvements offset by the full-year impact of investments in the business development team, which should start to yield returns progressively. We expect capitalised R&D costs to continue to moderate (FY24 £5.3m, FY25 £4.8m, FY26 £4.7m). Our increased year-end net debt forecast of £1.5m reflects the reduced profitability and higher interest payments. With a £5.5m revolving credit facility we believe that the company has ample headroom to execute its growth plan.

Our FY27 estimates are new and essentially reflect consistent growth across both recurring software and services on a flat cost base. This drives an expansion in margins and a return to positive cash generation. We also see scope for costs to be reduced.

We believe that these estimates are set at a cautious level and better-than-forecast software sales could generate material earnings upside. We estimate that each incremental £1m of software revenue in FY27 should add around 15% to our FY27 EPS.

Exhibit 2: Estimate changes

£'k	FY24	FY25			FY26e			FY27e
	Actual	Forecast	Actual	Change	Old	New	Change	New
Revenue	32,315	33,400	33,384	0%	38,700	36,030	-7%	38,330
y-o-y growth	8%	3%	3%		16%	8%		6%
Gross profit	17,926	19,038	18,541	-3%	22,059	19,997	-9%	21,465
Gross margin	55.5%	57.0%	55.5%		57.0%	55.5%		56.0%
Adj EBITDA	5,479	5,600	5,616	0%	7,600	6,050	-20%	8,100
Adj EBITDA margin (%)	17%	17%	17%		20%	17%		21%
Normalised operating income	2,463	2,311	1,810	-22%	3,811	2,018	-47%	3,832
Normalised net income	1,581	1,285	866	-33%	2,558	914	-64%	2,424
Reported net income	1,180	1,016	167	-84%	2,290	425	-81%	2,123
Adj EPS diluted (p)	1.4	1.1	0.8	-33%	2.3	0.8	-65%	2.1
Net debt/(cash)	(1,079)	1,142	1,018		48	1,504		138

Source: Company data, Edison Group

Exhibit 3: Financial summary

	£'k	2023	2024	2025	2026e	2027e
Year end 31 January		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		30,002	32,315	33,384	36,030	38,330
Cost of Sales		(14,504)	(14,389)	(14,843)	(16,033)	(16,865)
Gross Profit		15,498	17,926	18,541	19,997	21,465
EBITDA		4,997	5,479	5,616	6,050	8,100
Operating profit (before amort. and excepts.)		2,026	2,463	1,810	2,018	3,832
Amortisation of acquired intangibles		(386)	(391)	(391)	(391)	(391)
Exceptionals		(194)	(693)	(536)	(250)	0
Share-based payments		(192)	33	(11)	(11)	(11)
Reported operating profit		1,254	1,412	872	1,366	3,430
Net Interest		(210)	(355)	(655)	(800)	(600)
Joint ventures & associates (post tax)		0	0	0	0	0
Exceptionals		0	0	0	0	0
Profit Before Tax (norm)		1,816	2,108	1,155	1,218	3,232
Profit Before Tax (reported)		1,044	1,057	217	566	2,830
Reported tax		14	123	(50)	(142)	(708)
Profit After Tax (norm)		1,362	1,581	866	914	2,424
Profit After Tax (reported)		1,058	1,180	167	425	2,123
Minority interests		0	0	0	0	0
Discontinued operations		0	0	0	0	0
Net income (normalised)		1,362	1,581	866	914	2,425
Net income (reported)		1,058	1,180	167	425	2,123
Average Number of Shares Outstanding (m)		110.8	110.9	110.6	111.3	111.3
EPS - basic normalised (p)		1.23	1.39	0.78	0.82	2.18
EPS - normalised fully diluted (p)		1.20	1.40	0.76	0.79	2.11
EPS - basic reported (p)		0.95	1.06	0.15	0.38	1.91
Dividend (p)		0.00	0.00	0.00	0.00	1.00
Revenue growth (%)		11.0	7.7	3.3	7.9	6.4
Gross Margin (%)		51.7	55.5	55.5	55.5	56.0
EBITDA Margin (%)		16.7	17.0	16.8	16.8	21.1
Normalised Operating Margin (%)		6.8	7.6	5.4	5.6	10.0
BALANCE SHEET						
Fixed Assets		19,277	21,524	23,428	24,133	22,506
Intangible Assets		17,408	19,951	21,512	22,938	21,743
Tangible Assets		1,869	1,498	1,456	735	302
Investments & other		0	75	460	460	461
Current Assets		19,222	17,030	18,013	18,289	20,884
Stocks		0	0	0	0	0
Debtors		14,151	12,770	14,386	15,152	16,382
Cash & cash equivalents		5,036	4,260	3,627	3,137	4,502
Other		35	0	0	0	0
Current Liabilities		17,093	15,334	16,234	16,638	17,223
Creditors		15,797	14,004	14,956	15,360	15,488
Tax and social security		0	99	171	171	629
Short-term borrowings		660	647	369	369	369
Other		636	584	738	738	738
Long-Term Liabilities		4,097	4,913	6,726	6,726	6,726
Long-term borrowings		1,322	2,534	4,273	4,273	4,273
Other long-term liabilities		2,775	2,379	2,453	2,453	2,453
Net Assets		17,309	18,307	18,481	19,059	67,339
Minority interests		0	0	0	0	1
Shareholders' equity		17,309	18,307	18,481	19,059	67,340
CASH FLOW						
Operating Cash Flow		4,593	4,356	4,500	5,000	7,500
Working capital		537	(112)	(138)	(363)	(1,102)
Exceptional & other		12	0	0	0	0
Tax		179	140	(218)	(142)	(250)
Net operating cash flow		5,321	4,384	4,144	4,496	6,148
Capex		(4,017)	(5,362)	(5,055)	(4,916)	(4,716)
Acquisitions/disposals		0	0	0	0	0
Equity financing		14	19	125	0	0
Dividends		0	0	0	0	0
Other		(1,994)	357	184	(67)	(67)
Net Cash Flow		(676)	(602)	(602)	(487)	1,365
Opening net debt/(cash)		(3,231)	(3,054)	(1,079)	1,018	1,505
FX		89	(174)	(34)	0	0
Other non-cash movements		410	(1,199)	(1,461)	0	0
Closing net debt/(cash)		(3,054)	(1,079)	1,018	1,505	140

Source: Company data, Edison Group

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