18 February 2025

HARDMAN&CO.

ACCESSO TECHNOLOGY GROUP

We expect revenue growth to accelerate

In this note, we review the prospects for accesso ahead of the final results in April. The January update was reassuring, with revenue of ca.$152m ahead of our $150m forecast and the ca.15% cash EBITDA margin well ahead of the 13.2% forecast. Conservatively, we maintained our FY25 and FY26 forecast. However, as accesso is a growth technology company with a leading market position, we expect revenues to gradually accelerate from 6% in FY25E into the high single digits, and margins to rise as the group focuses on high-margin transactional revenues. Nevertheless, the shares trade on a modest ca.13x our FY26E earnings.

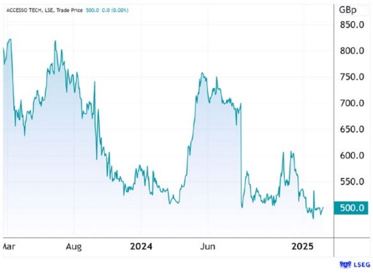
- **Trading update:** In its year-end update, accesso said it expects to report FY24 revenue of ca.$152m, in line with the August guidance of $150m-$153m. The cash EBITDA margin was ahead of target, however, at ca.15%. Growth, when ignoring pass-through revenues, was ca.4%. Net cash was $28.7m.
- **Strategy:** accesso's purpose is to partner with venue operators worldwide to deploy technology solutions that enhance guest experiences and optimise venue revenue. accesso is the clear leader and no competitor has the breadth of solutions, customer base or geographical reach that accesso can offer.
- **Valuation:** The stock trades on 17x our forecast earnings in FY24, falling to 16x in FY25 and 13x in FY26. In addition, accesso has a strong net cash position and healthy cash generation with a FY25E free cashflow yield of ca.6.6%. Further, the quality of revenues is improving, with 85% repeatable.
- **Risks:** The pandemic highlighted a risk associated with the global leisure industry. However, the downturn was less than feared and drove accelerated digital transformation. Customer concentration is declining as customer base expands and five flagship customers now generate less than half of revenues.
- **Investment summary:** The stock trades at a discount to its AIM enterprise software peer group. In addition, accesso has a strong net cash position and healthy cash generation, with a FY25 free cashflow yield above 6%, on our forecasts. Additionally, the quality of revenues is improving, with 85% repeatable. accesso sizes its total addressable market at $2.3bn, giving it a ca.6% market share, with plenty of scope for growth.

Financial summary and valuation

Year-end Dec ($000)	2021	2022	2023	2024E	2025E	2026E
Revenues	124,794	139,730	149,515	152,000	161,080	173,106
Cash EBITDA	28,138	25,805	23,626	22,831	22,882	26,378
Adjusted EBITDA	28,830	27,761	26,064	25,847	26,103	29,840
Adjusted operating profit	16,677	17,216	18,633	19,348	20,527	24,713
Underlying PBT	25,172	14,384	16,386	15,330	16,350	19,667
Statutory PBT	12,110	12,417	8,808	9,974	11,121	15,335
Adjusted basic EPS (c)	61.10	35.93	37.48	38.74	41.06	48.21
Adjusted diluted EPS (c)	58.88	34.51	36.46	37.76	40.02	47.00
Adjusted diluted EPS (p)	42.82	27.92	29.31	29.54	31.89	37.30
Net debt/(cash)	(64,050)	(64,663)	(31,465)	(28,700)	(45,427)	(64,641)
P/E (x)	11.6	17.8	17.0	16.8	15.6	13.3
FCF yield (%)	14.1	3.5	8.3	4.0	6.6	7.6

Source: Company accounts, Hardman & Co Research

Technology



Source: LSEG, 2025

Market data

EPIC/TKR	**ACSO**
Price (p)	**497**
12m high (p)	768
12m low (p)	473
Shares (m)	41.009
Mkt cap (£m)	203.8
EV (£m)	182.5
Free float*	95.47%
Country/Ccy	UK/GBP
Market	AIM
EPIC/TKR	**ACSO**

*As defined by AIM Rule 26

Description

accesso Technology Group provides technology solutions to the global leisure & entertainment sector and it currently serves more than 1,200 venues worldwide.

Company information

CEO	Steve Brown
CFO	Matthew Boyle
Chairman	Bill Russell

+44 (0) 1189 347 400
www.accesso.com

Key shareholders (as at 4 Dec)

Directors & Group EBT	4.53%
Long Path Partners	16.05%
Canaccord Genuity Group	12.01%
BlackRock	6.76%
Amati	4.96%
Chelverton AM	4.79%

Diary

Apr'25	Final results

Analyst

Richard Jeans rj@hardmanandco.com

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Executive summary

Strong investment case

accesso is the leading technology provider to the leisure and attractions industry, with an unrivalled global customer base including many of the biggest names. It has assembled a broad portfolio of products, including industry-leading solutions in ticketing and point-of-sale (POS), patented solutions in queue line management and personalised guest experiences. We note that Disney, the industry goliath, invests billions of dollars in technology and this puts pressure on other operators, which have substantially smaller budgets and therefore need to outsource their IT. accesso is in an ideal position to provide solutions to these operators.

The 2024 leisure industry downturn is likely a blip

The August 2024 trading update highlighted weak trading across global leisure markets that reflected the challenging economic times for middle income earners and extended across the US, UK, Europe and Australia. This was partly due to the sharp rises in interest rates since 2022 and the impact that had on mortgages, particularly in the UK and Australia where there is a significant reliance on short-term mortgages. While it is too early to determine if near-term consumer sentiment is picking up, the leisure and attractions industry is a long-term growth industry, expanding in the mid-single-digit range. This growth is partly driven by increasing demand for experiences over material goods, particularly among younger customers along with technological advancements (we note the new Universal kid-centred park in Frisco, Texas). There is notably strong growth in Asia and the Middle East.

Broad range of growth opportunities

As the group provides a range of offerings across ticketing and guest experience, there is potential to up-sell and cross-sell solutions as well as expand geographically. It has the opportunity to follow the expansion of its US and European customers into the Asian markets and has an increasing presence in Middle East through its VGS acquisition in 2023. The recently launched Freedom POS offering is targeting a market previously untapped by accesso in the food, beverage and merchandise space, and which often represents a significant percentage of customers' revenues.

Focus on transactional revenues

Three-quarters of the group's revenues are transactional or revenue share, which means that the business shares in the success of its customers. These revenues have strong gross margins which provide operational leverage. The goal is to extend over every touchpoint of the customer journey from parking and checking in, through the onsite experience through to post-visit loyalty and engagement.

Healthy financials

The group has a highly cash-generative business model, generating free cashflow, on average, of $21.8m per year in the three years from FY21-FY23. accesso has a strong balance sheet with net cash of $28.7m (excluding leases), as at 31 December 2024. Customer churn is very low and, when it does happen, is most often in the live entertainment area due to short-term contracts or venue closures.

Modest valuation metrics

While the stock was highly rated during the years leading up to the 2018 peak, and traded at over 50x FY17 earnings at the share price height in 2018, it now trades at modest ratings of 17x our forecast for this year's earnings, falling to 16x in FY25E and 13x in FY24E. In addition, the group now has higher-quality revenues and consequently a more positive cash-generation profile.

Brightening future after a difficult FY24

Revenue grew by 6.3%, at constant currencies

FY24 was a difficult period for accesso with the passing of its CFO Fern MacDonald in August as well as a disappointing trading update, also in August. The company cut its guidance, due to subdued trading volumes in the early part of the northern hemisphere summer months, as well as slippage in timelines for specific new park openings. The company cut full-year revenue guidance to approximately $150m-$153m, rather than the not less than $160m communicated at the time of the final results in April 2024; while the cash EBITDA margin guidance was brought back to 13%-14% from the previous guidance of not less than 17%.

Consequently, we cut our revenue forecasts by 6.6% in FY24 and 6.5% in FY25 and FY26. Our cash EBITDA forecasts came back 28.5%, 27.0% and 25.6%, respectively, as the cuts were in the group's higher-margin activities.

Trading across global leisure markets was weak, which reflected the challenging economic times for middle-income earners and extends across the US, UK, Europe and Australia. Some new accesso Horizon projects in the Middle East were delayed as operators adjusted their timelines. accesso Horizon operates a traditional licence business model with revenue recognised on a milestone basis. The completion of applicable milestones was expected to move into FY25.

In September, the company released its first-half results, which revealed that the performance from continuing activities was broadly in line with expectations. However, the overall performance was held back by a delay to a large project in the Middle East. Nevertheless, new business was positive, with 21 new venues signed during the period.

January trading update

In its update in late January, accesso said it expects to deliver revenue in line with the range it set in August 2024, at approximately $152m. After adjusting for the decision to step away from $3.3m pass-through revenue from a virtual queuing customer, the group's revenue growth was approximately 4%. This growth includes full-period contributions from three acquisitions made in the first half of 2023.

The group expects to report a cash EBITDA margin of approximately 15%, which is ahead of the revised 13%-14% expectations set last August. We believe the stronger margin reflects the strategy to focus on higher margin transactional revenues and management has continued to be diligent on managing the cost base.

The group's net cash position at 31 December 2024 was $28.7m, which was $2.8m down over the year. This includes the impact of the repurchase of $8m of its own shares during the year.

accesso has deferred providing its outlook and guidance for 2025 until it releases its full results in April, when there will be greater clarity on the year's progress.

Balance sheet net cash position

The company began the year with net cash (excluding IFRS16 leases of $31.5m). The group generated operating cashflow (before movement in working capital) of $7.8m in the first six months and there were seasonal working capital outflows of $14.2m in the period. In all, cash decreased by $13.9m in the first half, and there was a further $0.7m reduction on exchange movements on the cash position.

We know that the group generated cash EBITDA of ca.$16.3m in the second half and purchased $8m of its own shares during the year, of which $2.8m was in the first half and hence $5.2m in the second half. Other movements include the impact of exchange movements on the cash held in foreign currencies, with the US dollar strengthening slightly over the second half.

Balance sheet net cash position		
($000)		
Net cash as at 31/12/23		**31,465**
First half movements		
Movement in cash and cash equivalents		
Operating cashflow	7,770	
Working capital	(14,178)	
Tax paid	(894)	
Investing activities	(1,046)	
Purchase of own shares for cancellation	(2,828)	
Repayments of borrowings	(1,500)	
Other financing activities	(1,240)	
Overall decrease in cash and cash equivalents		**(13,916)**
Exchange movement on cash		(696)
Reduction in debt		1,439
Net cash as at 30/6/24		**18,292**
Second half movements		
Estimated 2H cash EBITDA		16,349
Purchase of own shares for cancellation		(5,172)
Other movements		(738)
Net cash as at 31/12/24		**28,700**

Note: net cash excludes IFRS16 leases
Source: Company accounts, Hardman & Co Research

Forecasts

We have increased our FY24 revenue forecast by $2m to $152m and our cash EBITDA margin from 13.2% to 15.0%. As a consequence, our FY24 adjusted EBITDA margin increases from 15.2% to 17.0%. Our FY24 gross margin goes up from 79.4% to 80.4% and our adjusted operating margin rises from 10.9% to 12.7%.

We maintained our forecasts for FY25 and FY26 and will review them again following the final results in April.

EBITDA development

Year-end 31 December ($000)	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Operating profit	5,312	(56,278)	(30,354)	13,521	12,751	9,939	11,299	12,296	16,240
Add: Aborted sale/acquisition expenses	1,703	305	461	0	137	2,690	24	0	0
Add: Deferred equity-settled acquisition consideration	4,131	1,416	150	0	0	0	0	0	0
Add: Amortisation related to acquired intangibles	11,740	11,286	2,573	2,371	1,667	2,811	5,000	5,000	5,000
Add: Share-based payments	2,245	1,845	1,398	2,490	2,629	3,187	3,049	3,231	3,473
Add: Impairment of intangibles	0	53,617	2,627	0	32	6	0	0	0
Deduct: Reversal of impairment	0	0	0	(1,707)	0	0	0	0	0
Add: Amortisation and depreciation (excluding acquired intangibles)	9,624	16,014	14,664	12,183	10,744	7,832	6,499	5,576	5,127
Deduct: Capitalised internal development costs	(21,100)	(21,064)	(2,969)	(720)	(2,155)	(2,839)	(3,040)	(3,222)	(3,462)
Cash EBITDA	13,655	7,141	(11,450)	28,138	25,805	23,626	22,831	22,882	26,378
Cash EBITDA margin (%)	**11.5**	**6.1**	**(20.4)**	**22.5**	**18.5**	**15.8**	**15.0**	**14.2**	**15.2**
Capitalisation of development costs	21,100	21,064	2,969	720	2,155	2,839	3,040	3,222	3,462
Amortisation on patent and IPR costs	0	(97)	(21)	(28)	(199)	(401)	0	0	0
Add: Aborted sale/acquisition expenses	(1,703)	(305)	(461)	0	0	0	(24)	0	0
Miscellaneous	(4,480)	0	1	0	0	0	0	0	0
Adjusted EBITDA	28,572	27,803	(8,962)	28,830	27,761	26,064	25,847	26,103	29,840
Adjusted EBITDA margin (%)	**24.1**	**23.7**	**(16.0)**	**23.1**	**19.9**	**17.4**	**17.0**	**16.2**	**17.2**

Source: Company accounts, Hardman & Co Research

Income statement

On our maintained FY25 and FY26 forecasts, revenues rise by 6.0% in FY25 to $161.1m, accelerating to 7.5% growth in FY26 to $173.1m.

Consolidated statement of comprehensive income					
Year-end 31 December ($000)	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Revenue	139,730	149,515	152,000	161,080	173,106
Cost of sales	(35,770)	(35,268)	(29,841)	(32,884)	(35,096)
Gross profit	103,960	114,247	122,159	128,195	138,010
Gross margin	**74.4**	**76.4**	**80.4**	**79.6**	**79.7**
Core administrative expenses	(78,354)	(91,022)	(99,352)	(105,314)	(111,632)
Capitalisation of development costs	2,155	2,839	3,040	3,222	3,462
Adjusted EBITDA	27,761	26,064	25,847	26,103	29,840
Depreciation (including leased assets)	(2,000)	(1,442)	(1,559)	(1,549)	(1,665)
Amortisation of development costs	(8,545)	(5,989)	(4,940)	(4,027)	(3,462)
Adjusted operating profit	17,216	18,633	19,348	20,527	24,713
Adjusted operating margin	**12.3**	**12.5**	**12.7**	**12.7**	**14.3**
Amortisation on acquired intangibles	(1,667)	(2,811)	(5,000)	(5,000)	(5,000)
Reversal of impairment/(Impairment) of intangible assets	(32)	(6)	0	0	0
Share-based payment charge	(2,629)	(3,187)	(3,049)	(3,231)	(3,473)
Acquisition and integration related expenditure	(137)	(2,690)	0	0	0
Operating profit	12,751	9,939	11,299	12,296	16,240
Finance expense	(566)	(2,084)	(2,070)	(2,014)	(2,014)
Finance income	232	953	745	839	1,108
Profit before tax	12,417	8,808	9,974	11,121	15,335
Income tax (expense)/benefit	(2,361)	(1,116)	(2,693)	(3,003)	(4,140)
Profit for the period	10,056	7,692	7,281	8,118	11,194
Other comprehensive (loss)/income	10,056	7,692	10,579	14,104	17,724
Exchange differences on translating foreign operations	(5,283)	3,138	0	0	0
Income tax credit on items recorded in other comprehensive income	0	0	0	0	0
Items that will be reclassified to income statement	(5,283)	3,138	0	0	0
Total comprehensive income	4,773	10,830	7,281	8,118	11,194
Adjusted earnings per share (cents per share)					
Basic	35.93	37.48	38.74	41.06	48.21
Diluted	34.51	36.46	37.76	40.02	47.00
Average exchange rate (USD/GBP)	1.24	1.24	1.28	1.24	1.24
Adjusted earnings per share (pence per share)					
Basic	29.07	30.13	30.31	32.71	38.26
Diluted	27.92	29.31	29.54	31.89	37.30

Source: Company accounts, Hardman & Co Research

Financial position

We have tweaked our balance sheet forecasts slightly, as the FY24 net debt position (excluding leases) comes back from $30.0m to $28.7m.

Consolidated statement of financial position					
@ 31 December ($000)	2022	2023	2024E	2025E	2026E
Intangible assets	110,420	165,188	158,288	152,483	147,483
Property, plant and equipment	1,603	1,346	1,430	1,571	1,722
Right of use assets	980	1,609	1,636	1,733	1,863
Contract assets	314	784	797	845	908
Deferred tax assets	15,279	16,703	16,981	17,995	19,338
Non-current assets	128,596	185,630	179,131	174,626	171,314
Inventories	499	1,115	1,134	1,201	1,291
Finance lease receivables	0	165	0	0	0
Contract assets	3,694	3,345	3,401	3,604	3,873
Trade and other receivables	28,785	29,700	34,299	36,347	39,061
Income tax receivable	1,864	2,199	2,236	2,369	2,546
Cash and cash equivalents	64,663	51,814	47,549	64,276	83,490
Current assets	99,505	88,338	88,618	107,798	130,260
Total assets	228,101	273,968	267,749	282,424	301,574
Trade and other payables	32,090	34,939	30,520	35,548	41,478
Derivative financial liabilities	0	0	0	0	0
Lease liabilities	451	792	805	853	917
Contract liabilities	4,920	7,353	7,475	7,922	8,513
Income tax payable	574	6,115	6,217	6,588	7,080
Current liabilities	38,035	49,199	45,017	50,911	57,988
Net current assets	61,470	39,139	43,601	56,887	72,273
Deferred tax liabilities	3,294	8,821	8,968	9,503	10,213
Contract liabilities	616	927	942	999	1,073
Other non-current liabilities	0	0	0	0	0
Lease liabilities	769	1,177	1,197	1,268	1,363
Borrowings	0	20,349	18,849	18,849	18,849
Non-current liabilities	4,679	31,274	29,956	30,619	31,498
Total liabilities	42,714	80,473	74,972	81,530	89,486
Net assets	185,387	193,495	192,776	200,894	212,089
Called up share capital	597	603	603	603	603
Share premium	153,621	153,948	153,948	153,948	153,948
Retained earnings	22,887	31,196	30,477	38,595	49,790
Merger relief reserve	19,641	19,641	19,641	19,641	19,641
Translation reserve	(5,584)	(2,446)	(2,446)	(2,446)	(2,446)
Own shares held in trust	(5,775)	(9,451)	(9,451)	(9,451)	(9,451)
Capital redemption reserve	0	4	4	4	4
Total shareholders' equity	185,387	193,495	192,776	200,894	212,089

Source: Company accounts, Hardman & Co Research

Valuation

The stock trades on 16.8x our FY24 earnings, falling to 15.6x next year and 13.3x the year after. In addition, the group has a strong net cash position, healthy cash generation and a free cashflow yield comfortably above 6% in the current financial year. Further, the quality of business is improving, with 85% repeatable revenues along with improving operating margins, on our forecasts.

Peer comparison

The stock trades at a large discount to its AIM enterprise software peers (weighted by EV) despite the company's attractive growth profile along with improving cash generation, rising operating margins and strong balance sheet.

Comparison with a selection of AIM enterprise software peers

	Share price (p)	Est. EV (£m)	EV/sales FY1	EV/sales FY2	EV/sales FY3	EV/EBITDA FY1	EV/EBITDA FY2	EV/EBITDA FY3
Accesso*	497	182	1.50	1.41	1.31	10.6	10.1	8.3
Vs peer weighted averages with 3 years of data			**(63%)**	**(63%)**	**(65%)**	**(30%)**	**(28%)**	**(39%)**
Craneware	2115	737	4.57	4.21	3.87	14.8	13.5	12.5
Alfa Fin'l S/w	245	696	6.33	5.58	5.30	18.7	18.1	17.1
Cerillion	1665	449	9.06	8.19	7.44	20.4	18.3	16.6
Fintel	275	310	3.97	3.70	3.51	14.0	12.3	11.0
IDOX	56.2	265	2.85	2.70	2.55	9.8	9.2	8.4
Aptitude	325	159	2.24	2.12	1.98	13.7	12.5	11.1
Netcall	112.5	158	3.34	2.96	n/a	16.3	13.8	n/a
Eleco	145.5	109	3.36	2.77	2.32	15.3	12.3	10.2
Tribal	43.6	92	1.03	1.02	1.01	5.7	6.3	6.1
Tracsis	360	80	0.96	0.91	0.85	5.0	4.5	4.1
Averages of peers with at least 2 years of data			**2.41**	**2.26**	**n/a**	**10.9**	**10.1**	**n/a**
Averages of peers with 3 years of data			**2.34**	**2.20**	**2.07**	**10.5**	**9.8**	**9.0**
Weighted averages of peers with 3 years of data			**4.06**	**3.76**	**3.74**	**15.2**	**14.0**	**13.5**

**Hardman & Co forecasts. Priced in the morning of 18 February 2025*
Source: LSEG, Hardman & Co Research

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research@hardmanandco.com

9 Bonhill Street
London
EC2A 4DJ

www.hardmanandco.com