SmartSpace Software Plc

Sale of Enterprise – August 2020

SmartSpace removes enterprise headaches via divestment

AIM-listed workspace management software provider SmartSpace has announced the sale of its Enterprise software business to Colorado-based and Vista-backed digital signage software vendor Four Winds Interactive, for £5.0m (or 1.5x fiscal 2019 sales), of which £0.4m is deferred pending the receipt of a tax refund. The divestment rationale noted that this would remove the challenges faced in selling enterprise software (i.e. long sales cycles) and would enable the group to focus on its small-to-mid-market products SwipedOn and Space Connect. In the year ending January 2019 (2020 results yet to be released), the enterprise software business had revenues of £3.3m (or 52% of the group's £6.3m total), a loss of £1.3m (versus a group adjusted EBITDA loss of £2.7m) and 38 employees (versus the group's 93). SmartSpace will have circa £5.7m of cash following the sale (versus £1.7m in July). SmartSpace shares are up 13% to 69.7p in early trading.

SmartSpace Software provides workspace management software to the commercial workplace, retail and hospitality real estate sectors. The group's suite includes solutions focused on optimising desk space, meeting room bookings, and visitor management to buildings and car parks. SmartSpace was formerly known as RedstoneConnect (and before that Coms plc), having rebranded in August 2018 following the divestment of its cabling and managed services arms to Excel IT for £21.6m in May 2018. In October 2018, SmartSpace acquired New Zealand-based visitor management software provider SwipedOn, for NZ$11.0m (£5.5m) in cash and shares and, in October 2019, purchased Australia-based peer Space Connect for AU$6.0m (approximately £3.2m) or 26x trailing revenues.

The deal release highlighted that the remaining operations include its SaaS-based meeting room and desk booking division Space Connect (mid-market), SaaS-based visitor management division SwipedOn (entry level product), and hardware, distribution and technical support division Anders & Kern. The divestment means the group now targets customers with up to 1,500 employees per location and provides the added firepower to accelerate growth in Space Connect and SwipedOn (targeting multi-location deals and entering new markets).

Megabuyte view

The enterprise software business has long been the problem child for SmartSpace as, while it can offer some large, lucrative deals, the long sales cycles and high overheads needed for deployment posed several challenges for the business. Notably, enterprise contract delays have led to SmartSpace having to issue a profit warning as recently as January, for its yet-to-be released year to January 2020 results. Furthermore, the divestment frees up more funds for SmartSpace to scale its small-to-mid-market products, which includes exploiting the significant opportunities arising from the pandemic as its products can help offices adopt new COVID-19 policies, including contactless check-in at reception, enforcing contract tracing within the building and meeting rooms, and enforcing social distancing on office floors.

megabuyte
Robert Warensjo
Senior Analyst
robert.warensjo@megabuyte.com | 07508 020227
Direct line: 0118 948 5855