

Corporate

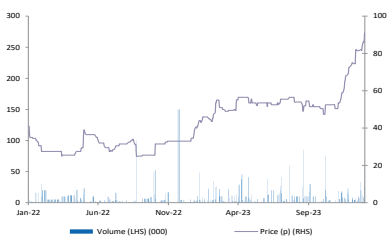
 Current price **91.0p**

 Sector **TMT**

 Code **NWT.L**

 Listing **AIM**

Share Performance



% Change	1m	3m	12m
NWT.L	+23.0	+80.2	+124.7

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **8.5**

 Shares in issue (m) **9.4**

52 weeks (p)	High	Low
	91.0	40.0

 Financial year end **30 April**

Source: Company Data, Allenby Capital

Key Shareholders

M Dwek (Chairman) 19.8%

M Rapoport (NED) 12.8%

S Reid 11.0%

Thalassa Holdings 9.9%

Dr B Beßmann 3.3%

P Lobbenberg 3.1%

Mr & Mrs D Bitner and Son 3.1%

Source: Company Data, Allenby Capital

David Johnson

0203 394 2977

d.johnson@allenbycapital.com

www.allenbycapital.com

Newmark Security plc (NWT.L)

Further progress against 2025 Growth Strategy

Interims from Newmark Security plc, a leading provider of electronic and physical security systems, indicate further progress against its 2025 Growth Strategy of increasing the proportion of recurring revenue and services. Hardware-enabled software and services substantially increases Newmark's addressable market, offers greater revenue visibility and margin accretion. At Grosvenor Technology (Human Capital Management and Access Control), annualised recurring revenue increased 77% in H1 to £2.3m meanwhile Safetell, the provider and maintainer of integrated doors solutions and physical security division, maintained its revenue growth (+24%) following its 2022 restructuring, product portfolio refresh and increased focus on services revenue. Newmark returned to profit in Q2 and this has continued in H2 and management anticipates FY revenue growth in both divisions. As higher gross margins and operational gearing come through, we would anticipate a rapid growth in profits.

- Grosvenor Technology:** At Grosvenor Technology (Human Capital Management and Access Control), the shift of the business model to cloud-based and hardware-enabled software and services revenue substantially increases Grosvenor's addressable market and the scope for recurring revenue. New products and services have been introduced in each business and HCM is filling the gap created by the loss of UKG as an HCM partner with three new HCM software partners and the impact of other strategic initiatives.
- Safetell:** New leadership has reinvigorated the division after several years of revenue contraction, refreshing the product portfolio and focusing on auto door maintenance management market that is substantially larger than its historic markets. Safetell returned to growth in FY23 and entered FY24 with a much larger pipeline of prospects. During H1 it continued the roll out of protection screens for supermarkets and work with police forces in Products and secured new customers (universities, retail and rail) in Services.
- Interims & outlook:** Group revenue decreased 2% to £10.4m but, adjusting for the previously announced loss of UKG in FY23, underlying revenue increased 11%. Within this, Safetell revenue +24% to £2.7m with sales of entrance control products +100%, and Grosvenor annual subscription-based recurring revenue +77% to £2.3m. EBITDA fell £0.3m to £0.8m (H1 FY23: £1.1m), reflecting inflationary pressures and investment in services capacity. Cash at H1 was neutral and net debt of £5.6m (FY23: £5.9m). Management reports that Newmark returned to profit in Q2 and this trend is continuing in H2 and FY revenue growth is expected in both divisions. As higher gross margin revenue streams grow, coupled with the effect of operational gearing, we would anticipate an acceleration in profit growth.

Year End: 30 April					
(£'000)	2019A	2020A	2021A	2022A	2023A
REVENUE	19,583	18,767	17,658	19,145	20,314
ADJ. EBITDA	1,263	1,441	1,181	158	1,485
ADJ. PBT	572	398	35	(1,310)	(64)
ADJ. EPS (p)	0.1	0.3	0.1	(0.3)	3.8
NET CASH/(DEBT)	96	(1,385)	(2,190)	(5,248)	(5,358)
EV/REVENUE (x)	0.4	0.5	0.6	0.7	0.7
EV/EBITDA (x)	6.7	6.9	9.1	87.2	9.4

Source: Company; Allenby Capital. Allenby Capital acts as Nomad & Broker to Newmark Security plc (NWT.L).

Investment summary

Newmark Security provides investors with exposure to the growth in global spend by organisations on products and services to protect people and assets in the workplace. Newmark has secured a wide range of blue-chip Public and Private Sector organisations across multiple verticals (including Retail, Banking, Infrastructure, Education, Commercial, Institutional, Defence, and Leisure & Sport) that offer considerable upselling opportunities. Operating for more than thirty years, Newmark has two complementary divisions: **People and Data Management** (Grosvenor Technology) comprising Human Capital Management (HCM) and Access Control and **Physical Security Solutions** (Safetell).

2025 Growth Strategy – hardware-enabled software and services

Historically, Newmark was focused on the provision of hardware supported by services, but over the past 18 months the company has been shifting towards recurring revenue via long-term enterprise subscriptions and services contracts through its 2025 Growth Strategy. This move to hardware-enabled software and services substantially increases Newmark's addressable markets, offers greater revenue visibility through multi-year agreements, and the opportunity for repeat sales and upselling as Newmark maintains a much closer working relationship with its customers. As part of the process, Newmark has refreshed and broadened its product portfolios in each division as well as introducing new services.

The success of this strategy was evident in FY23 with both revenue growth and margin accretion. FY23 saw a return to profitability at the group level, significant growth in recurring revenue at Grosvenor (+133% to £2.1m) and a return to revenue growth in Safetell (+3% to £4.7m). At the headline level, FY23 group revenue increased 6% to £20.3m, gross profit by 19% to £7.6m and adj. EBITDA by £1.3m to £1.5m.

Interims – residual impact of UKG

The performance in H1 FY24 was distorted by the loss of Ultimate Kronos Group (UKG) as an HCM partner in Q3 FY23, as flagged in the company's FY23 annual report. As a result, group revenue fell 2% to £10.4m in H1, although the revenue loss was partly offset by continued strong growth in Safetell. In People and Data Management, revenue fell 9.3% to £7.6m with HCM down 5.7% to £6.0m and Access Control by 20.9% to £1.6m. At Physical Security Solutions increased 23.8% to £2.7m.

The loss of UKG had been anticipated for some time following the acquisition of Kronos Inc by Ultimate Software, a customer of Newmark's GT clocks, in 2020, and subsequent renaming. Kronos was a multinational provider of workforce management and HCM software but also a major manufacturer of time clocks. The combination of two large HCM software companies but also one of the largest device manufacturers has created an opportunity for independents, such as Grosvenor, and it has secured three additional HCM software providers in H1. This has derisked the division but also created additional software and services revenue opportunities.

Within **HCM**, revenue in North America fell 20%, reflecting the UKG loss, to £3.9m but increased 42% in Rest of World to £2.1m, continuing the trend of FY23. Excluding the impact of UKG, underlying revenue growth for North America was 8%. Grosvenor has been successful in displacing competitor clock products through its entry level devices coupled with recurring revenue services and can also offer a higher level of cybersecurity with GT Connect achieving ISO 27001 certification.

In **Access Control**, there is the ongoing shift in the business to JanusC4 (+16% to £1.2m) and away from Sateon Advance (-52% to £0.4m) and Legacy Janus (-87% to £23k). Access Control was impacted by the ongoing macroeconomic climate in the private sector and growth was primarily from public sector customers (hospitals and blue light services) and represented a mix of new customer installations and migrations from legacy Sateon and Janus deployments. The next generation access control product is on track for delivery in FY25.

At **Safetell**, revenue grew 24% to £2.7m with similar growth rates at both Products and Services. H1 FY24 saw the ongoing roll out of protection screens at retailers, including one of the UK's 'big four' supermarket chains, and work with multiple police forces and a UK utility. Additional auto door maintenance contracts were secured with two universities, a major convenience retailer and a rolling pilot with a railway franchise, covering more than 250 stations. Sales of entrance control products increased 100%, including a new blue chip banking group and a distribution centre, and it installed five ballistic protection systems for a new money exchange client, with a further 22 sites planned.

Growth anticipated in H2 FY24

Stripping out the impact of UKG (H1 FY23: £1.3m), group revenue increased 11% to £10.4m. We would anticipate further growth in H2 FY24 as there was minimal trading from UKG in the comparator period, Grosvenor added three new HCM software partners in H1 FY24 that will contribute in H2, and HCM annualised recurring revenue increased 77% to £2.3m.

Operational gearing to benefit margins

Gross margin declined 170bps to 37.2%, with declines in both divisions, reflecting higher labour and amortisation costs, product mix timing and the loss of the UKG business. These should recover in H2. Operating costs increased 5% to £3.8m, reflecting additional headcount and inflation, and operating profit reduced £0.4m to £0.1m. Newmark has been adding resource and margins should increase as field service engineer utilisation rates improve at Safetell and operational gearing comes through. EBITDA reduced £0.2m to £0.8m.

Cash was effectively zero at H1 (£0.01m), down £0.6m, and Newmark has an unused £0.4m UK overdraft facility. As expected, Inventories decreased £0.4m to £3.7m due the gradual normalisation of global supply chains. Trade and Other Receivables remained flat at £4.5m and Trade and Other Payables reduced £1.4m. Total borrowings reduced £0.3m to £5.6m during H1, reflecting CBILS loan and lease repayments. The UK invoice financing facility remains at £2.3m and the US facility at \$2m. Capitalised development spend was £0.2m (H1 FY23: £0.3m).

Returned to profit in Q2; FY revenue growth anticipated

Management reports that the company returned to profit after tax in Q2 and this trend is continuing in H2. Overall, FY24 revenue is expected to grow in both Safetell and Grosvenor, despite the UKG loss, supported by a good spread of public and private sector contracts. As higher gross margin revenue streams grow, coupled with the effect of operational gearing, we would anticipate an acceleration in in profit growth. The current financing facilities are sufficient to execute its current plans.

People & Data Management: Grosvenor Technology

The People & Data Management division (trading as Grosvenor Technology) develops hardware and software for time, data capture access solutions for the global Human Capital Management (HCM) and Access Control markets to enable organisations to protect people in the workplace. It has offices in the UK and US.

Exhibit 1: Grosvenor product & service offering



Source: Company

Human Capital Management

During FY23, Grosvenor expanded its range of services, with the launch of **GT Connect** and **GT Protect**, and devices, with the GT4-Lite. Grosvenor is able to target a much larger share of the customer wallet and hardware portfolio. In the US, it also relocated to larger and better located premises in Florida and has taken logistics operations in-house. As a result, it is able to offer a more flexible and timely fulfilment service to its customers.

GT Services enhance and complement its HCM solutions. It covers a lifetime warranty, access to Grosvenor Technology’s secure cloud platform and on-hand 24/7 tech support. This subscription-based service means that a client’s devices will be protected and supported for their lifetime.

GT Connect is the upgraded secure cloud-based clock management platform encompassing middleware, PII/Biometric data compliance and data distribution that integrates multiple devices into a single network. The highly secure and scalable platform facilitates real time connection between Grosvenor and third party HCM devices and enterprise software, remote diagnostics and data management. Users are able to view the status of each connected device and diagnose, recover and update devices and groups of devices remotely. Biometric and personal data can be managed, distributed and backed up securely and automatically to ensure compliance with data protection laws.

GT Connect positions itself at the heart of a larger trusted ecosystem that more broadly connects security device hardware including BYOD (bring your own device) and third-party products (time clocks, tablets etc) with its cloud services. This extends the reach of Grosvenor’s solutions and potential for recurring revenue.

GT Protect is a hardware warranty service with a guaranteed response and resolution time (direct device replacement next working day). GT Protect also entitles customers to priority technical support.

Exhibit 2: GT4 timeclock



Source: Company

Grosvenor has also introduced an optional rolling device advance replacement service that enables customers to gradually modernise their device estates. This is offered on a subscription basis and hence more closely aligns with third party HCM software providers and Grosvenor can offer a Per-Employee-Per-Month revenue model. This service is a competitive differentiator and management believes that it can re-energise the lower end of the market.

The GT4-Lite is an affordable and flexible software feature limited timeclock enabling Grosvenor to compete against low-cost Chinese manufacturers. As a result, Grosvenor can now address the complete market. The GT4-Lite has been functionally limited and the software can be upgraded over the air. The GT4 complements the existing GT8 and GT10 devices. By offering a broader portfolio of products as well as charging for services, Newmark can take a larger share of its customers’ spend. The lower price point of GT4-Lite may impact short term gross margins but this will be more than recouped in subsequent years through additional services and Grosvenor can generally more flexible on the upfront price of the hardware.

‘Buddy punching’, payroll fraud or time sheet fraud where workers input pin codes or swipe cards to clock in or out on behalf of colleagues has been a persistent problem for organisations for many years. Reports have suggested that, globally, business can lose around four and a half hours per employee per week to the practice, equating to 10-15% of total working hours in some jobs. Traditional time and attend methods, such as timecards and pin codes, are vulnerable to buddy punching. Biometrics (i.e. fingerprint or facial recognition) employed in the GT range of timeclocks offer a more secure and accurate solution.

Exhibit 3: Five pillars for HCM



Source: Company

Grosvenor has set out five strategic pillars to grow its HCM business hardware-enabled software and services recurring revenue. Core to this growth strategy is partnering with global HCM software providers where Grosvenor provides the necessary hardware devices and associated services. Grosvenor has focused its growth efforts on the US market as it is not only the largest and most dynamic HCM market but is also home to the

Success in direct end-user business

largest HCM software providers. These partners offer an indirect route to market and Grosvenor has successfully displaced a number of competitor hardware products.

The growth strategy involves developing existing partnerships through services and new pricing models, and growing new long-term partnerships that prioritise recurring subscriptions. Grosvenor will introduce these partners to retail customers across the Americas, the UK and Europe. Grosvenor will also seek direct end-user business and has recently secured Shangri-la Hotels (The Shard in London), Imperial London Hotels, Dorchester Hotels, Wren Kitchens and Refresco Drinks as customers. Grosvenor will also seek direct end-user business via partnerships major software OEMs (e.g. Oracle, SAP and Workday) by making GT Connect compatible with the larger OEM product suites and available via those companies' app marketplaces.

HCM software providers are focusing on their core offerings and looking to outsource integration of hardware devices as well as associated services – logistics and reverse logistics, maintenance, Timeclock software and the GT Connect middleware platform. They have determined that whilst this business offers significant revenue the provision and maintenance of hardware devices is lower margin and not core to their SaaS models.

Control over the whole environment

Access Control

Janus is a complete and flexible building access hardware and security management solution. The latest generation JanusC4 integrates with third party security devices and systems, such as CCTV, Fire & Intruder Alarms, Active Directory and Mobile Credentials, enabling control over the whole environment. The solution utilises the Open Supervised Device Protocol (OSDP) as a secure method for different devices, such as card readers and controllers, to communicate with each other, ensuring enhanced safety and reliability, particularly in settings that require high levels of security.

The JanusC4 scales to control up to 1,000 doors, 50,000 users and 250,000 user credentials. The data is protected with AES 256-bit encryption and retains data during a power outage, even without battery back-up. The dashboard provides centralised control over the building, including occupancy information, access control, CCTV, intruder alarms, and wireless locks. The JanusC4 integrates with a wide range of third-party readers (e.g. HID and Third Millennium).

The JanusC4 provides operators with a wide range of tools for:

- Centralised security systems management
- Security system visualisation & monitoring
- Security process automation
- Security information analysis & evaluation
- Central identity management
- Crisis management support

The JanusC4 utilises modular and scalable Advance hardware (a blade architecture) that enables easy and efficient installation. A Single-Blade Controller allows the connection of either: one 2-door blade for connecting up to two doors and two readers; one OSDP blade for connecting up to two doors and four readers; or one I/O blade supporting up to eight supervised inputs and eight volt-free relay outputs. The Multi-Blade Controller allows the connection of up to four blades that can be any combination of two-door blades, OSDP blades and I/O blades.

Newmark has also rationalised its Access Control product offering and announced in FY22 that it was going to end of life the original Janus and Sateon systems in 2023 as well as providing a migration path to JanusC4, including system composition data and user information. There is also an upgrade tool that enables certain existing hardware controllers (Sateon Advance C2) to be simply migrated to JanusC4, thereby leveraging prior investment and improving the value proposition. This migration process is evident in the recent results of the Access Control division.

The 2025 Access Control Roadmap includes an enhanced Janus C4, Janus C4 Ultra, that includes features such as a mobile app and new functions including fire and muster, and intercom services. Already in design, the C4 Ultra is scheduled for release in FY25.

Case studies

Hackney Empire

The Hackney Empire theatre had been running the legacy Sateon system for access control for more than 25 years. Hall & Kay, the UK’s largest fully accredited independent integrated Security and Fire Suppression company, took over the security installation for the building to modernise its access control and selected JanusC4.

The installation by Hall & Kay took place over several weeks and the site is now running 24 doors using HID iClass High Frequency readers and credentials to improve their security and shift to a proximity, rather than swipe-based solution, with staff access across the site having various degrees of access permission.

Exhibit 4: Hackney Empire



Source: Company

Lynwood Care Centre

Grosvenor Technology worked with FTL Secure Solutions, a national security installation and maintenance services company, to replace the access control system at the Lynwood Care Centre in Ascot, owned and operated by BEN, a UK charity for those who work or have worked in the automotive industry. Staff and managers were concerned that the security at the centre was not fit for purpose. Locks had been poorly installed, break glasses were missing and the system was not networked. As a result, any access procedure change required 30 keypads to be individually re-programmed.

The new system is browser based, the facility is networked and access is centrally controlled. The hardware is also quick and easy to install without the need for IT specialists. Access control is now integrated with Lynwood’s fire system and automatic doors and additional features, such as escorted guests, have been included.

Exhibit 5: Lynwood Care Centre



Source: Company

ERMCO ECI

ERMCO ECI, one of the largest producers of oil-filled transformers in the US, was experiencing a high number of false reads with its existing time and attendance palm readers. This was resulting in bottlenecks at the start and end of shifts.

The problem was partly a function of a cumbersome time clock interface but mainly that employees occasionally had to work without gloves. This resulted in greasy fingerprints or fingerprints being burnt off altogether. The environment also meant that workforce management terminals required high levels of maintenance. Swipe cards were considered as an option but HR was concerned about buddy punching.

Grosvenor’s Professional Services Team, in conjunction with its HCM software partner, developed a purpose-built modular time clock designed for a manufacturing environment that could support both a frictionless Suprema biometric and a PIN reader as an alternative authentication method. The intuitive interface and new biometric readers have significantly reduced read failure rates and queues by more than half. The maintenance load has also been reduced and terminal diagnostics enabled new features and repairs to be administered remotely.

Exhibit 6: ERMCO ECI



Source: Company

Physical Security Solutions - Safetell

Safetell is a leading UK provider, installer and maintainer of integrated physical security solutions. This comprises a portfolio of accredited products (automated doors and security portals; cash & asset protection; entrance control (including speed lanes and gates); screens & counters; security doors, walls and partitions); and comprehensive services (certified installation and maintenance engineers) and highly responsive customer support. It has been operating in the UK and Ireland for more than 30 years, engaging directly with end-clients as well as via major contractor partners for both newbuild and refurbishment projects.

Exhibit 7: Safetell



Source: Company

Increasing threats from crime and terrorism have made the physical protection and security of assets and people a priority for organisations in most sectors. Attention is being further focused by new legislation, such as the UK’s Protect Duty, also known as Martyn’s Law, following the Manchester Arena terrorist attack in 2017.

Wide range of public and private sector customers

Safetell has built a customer base comprising a wide range of public and private sector organisations (including embassies, government departments, universities & schools, police forces, NHS trusts, charities, retail banks, supermarkets, petrol retailers and convenience stores).

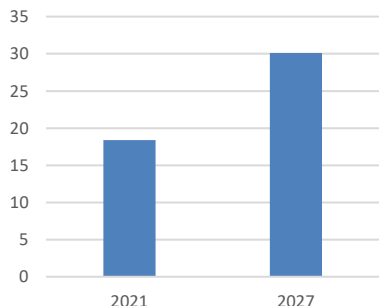
Reinvigorated business

Nick Shannon joined Safetell in February 2022 as Managing Director, having previously led sales teams at Chubb, and G4S Fire and Security Systems, and has sought to reinvigorate the business by focusing on two growth areas: **Entrance Control** and **Physical Security Products** (including screens and counters); whilst maintaining the legacy Safetell services business (fast rising screens in retail banks to protect against armed robbery). This focus will transition the business from high margin one-off projects and the legacy business to higher volume but lower margin service and repair contracts that offer higher repeat and recurring revenue.

In **Entrance Control**, management identified the servicing of automatic doors as a major growth opportunity, twice the size of Safetell’s traditional markets. It added automatic doors and entrance control (speed lanes, speed gates, security portals and automatic doors) to its product and services portfolio in FY22.

Organisations have invested heavily in automatic doors over the past few years driven by numerous factors (including security, accessibility and building efficiency) for multiple applications, including shops, airports, hospitals, restaurants, office and apartment buildings. The pandemic drove demand further as automatic doors offer hands-free access to public spaces and reduce the risk of viral transmission. But organisations need to ensure that the doors are well maintained, and any problems promptly resolved. There are also some regulatory drivers.

Exhibit 8: Global automatic door market (\$bn)



Source: IMARC Group

Building owners have been subject to increased regulations around the safety of automatic doors used by the public. For example, EN 16005, in place since 2013, states that power-operated doors must be installed with safety sensors and door operators and maintenance has to be carried out by approved technicians annually. Failure to do so leaves owners potentially liable should an incident occur because a faulty door. While EN 16005 was drawn up for the EU a number of other countries have adopted it in the Middle East and Asia and in the UK it is known as BS EN 16005.

The global automatic door market was worth an estimated \$18.4bn in 2021 (Source: IMARC Group) and forecast to grow to \$30.1bn in 2027, representing a CAGR of 8.3%. Meanwhile a separate report estimated that the European automatic door sensor market was worth \$305m in 2019 and will grow to \$428m in 2027 (Source: Research and Markets).

The UK automatic door market is characterised by a small number of large national suppliers/service providers (including GEZE and Record) and many smaller regional players. Unlike the smaller providers, Safetell is able to offer a highly responsive national service and is also more agile than the larger suppliers. Consequently, it has been able to take on some ad hoc work but has also successfully secured several multi-year agreements and is looking to convert the informal agreements.

Safetell has also benefited from its record in repairing and upgrading customer doors rather than simply replacing. And all its service engineers have been security cleared to BS7858, the UK standard for vetting people employed in the security sector.

Focused on larger automatic door contracts

Safetell is focused on the larger automatic door contracts that offer both initial installation and maintenance services, helping to grow its Autodoor Service Department. In FY23, services revenue from autodoor servicing and repairs increased nearly fivefold to £0.3m and FY24 started with £0.6m of quoted service and repair contracts. In FY23, it added a further 200 doors and it now provides call-out support across more than 2,000 doors. By adding to this base, operational gearing will result in improved margins as it has also invested in its service team.

Fast rising screen pedigree

In **Physical Security Products**, Safetell has considerable pedigree in the installation and maintenance of fast rising screens in retail banks as well as project work in the public (hospitals, prisons, police) and private sectors (retail). Whilst the ongoing reduction in the number of physical retail banking branches and the changes to branch layouts has reduced demand for legacy rising screen services, Safetell has applied the skills and experience it has required in other applications.

Cost-effective attack-resistant screen

For example, during 2023 Safetell designed a new cost-effective attack-resistant screen for convenience stores as retailers attempt to counter the increase in violence against shopworkers. This resulted in £1m of order flow from major retailers in FY23, and further projects worth £2m in FY24.

Security-rated screens and counters also performed well in the public sector in FY23. Safetell secured £0.3m of additional projects from one of the UK’s largest Police Forces, following on from work in FY22, as well as orders from five other Police Forces. Safetell’s Countershield ‘moving screen’ remains popular for A&E departments, prisons, transport hubs and military installations.

Operational initiatives

Management has also introduced operational initiatives to improve success ratios:

- **Replicate success** - Secure a customer and then target marketing efforts at businesses facing similar challenges
- **Selective tendering** – Only quote for business with a high probability of success

- **Understand unsuccessful tenders** – If price is driving the decision, source lower price products

Price competitive and more responsive

In FY23, the division undertook a detailed review of current and past commercial submissions, and management now has a much better understanding of how to win in competitive tenders. For example, Safetell was losing out on price for entrance control speed gate products. Hence it has sourced two alternative product manufacturers in China that offer a high-quality product at a substantially lower price. These manufacturers also offer much shorter lead times and Safetell now secured high specification ‘standardised’, rather than ‘make-to-order’ products, across all the key items in its portfolio. As such, it can be price competitive and more responsive to customer demands.

As with Grosvenor, Safetell is also expanding its services business and there are ongoing discussions with several major high street brands and other organisations.

Case studies

International school

Given renewed concerns about terror attacks and other threats facing schools, many educational institutions are deploying physical security systems to ensure the safety of students and staff. Having already installed ballistic fencing, bollards and a guardhouse at an international school in London, Safetell was contacted about improving the security of the reception area. The challenge was to provide a secure area that managed the flow of individuals in and out while preserving the aesthetic and accessibility of the historic building.

Safetell created a bespoke secure interlock system using attack-resistant glazed partitioning and automated doors, with one door opening at a time to enable the security risk assessment of visitors before granting access to the reception area. The project also involved the installation of a fire door and an additional swinging/sliding door at a staff entrance, both concealed behind listed timber doors. The successful project has resulted in plans for an additional project.

Exhibit 9: Secure interlock system



Source: Company

Exhibit 10: RNIB installation



Source: Company

RNIB

The Royal National Institute of Blind People (RNIB) required a secure access control solution for their multi-tenant building that would be accessible and easy to use for all, including those with low vision. Safetell provided RNIB with two Round Cab Speed Gates with third party access control. To ensure easy identification of the entrance, yellow highlighting was added to the black gates to provide high colour contrast for individuals with low vision.

North London University

For four years, Safetell has been responsible for the maintenance of more than 100 automatic and manual doors within a university in North London, as well as having installed forty of the automatic door operators. Safetell was approached to automate some additional existing manual doors within the estate, located at the main entrance.

During the winter months, the university prefers not to use the existing automated sliding doors as it creates a wind tunnel in the reception area. As a result, the two adjacent swing doors would need to be automated to become DDA (Disability Discrimination Act) compliant and provide safe, accessible, energy-efficient and contactless access.

The doors that required automating were particularly heavy and large and Safetell specified a suitable operator as well as fitting safety accessories to ensure compliance to BS EN 16005. The doors were upgraded and commissioned within 48 hours and Safetell has installed additional doors. There is also an SLA (service level agreement) to maintain compliance with BS EN 16005 that includes bi-annual maintenance visits.

Exhibit 11: University installation

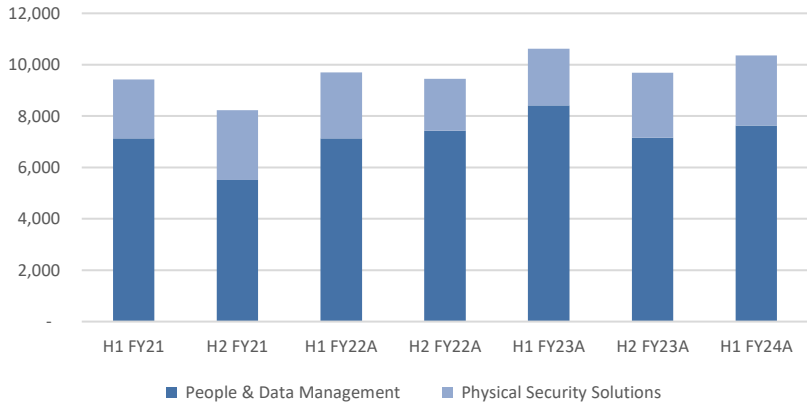


Source: Company

Financials

On a sequential basis, revenue at Newmark has been relatively steady at around £9.5m for each six months for the past seven periods. These headlines, however, mask a number of dynamics within the business.

Exhibit 12: Divisional revenue (£000s)

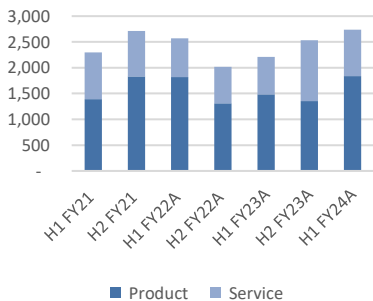


Source: Company; Allenby Capital

First, revenue at **Physical Security Solutions** (Safetell) had been declining for several years, reflecting the reducing demand for servicing rapidly rising screens in retail banks, before the appointment of Nick Shannon in February 2022 as Managing Director and the reinvigoration of the business with a focus on two growth areas: Entrance Control and Physical Security Products (including screens and counters); whilst maintaining the legacy Safetell services business. This is transitioning Safetell from high margin, but lumpy, projects plus the legacy business to higher volume but lower margin service and repair contracts that offer higher repeat and recurring revenue. The division returned to growth in H1 FY23 and this has continued.

Safetell exited FY23 with real momentum, with H2 revenue up 25.4% on H2 FY22 and up 14.5% over H1 FY23. This came despite the slippage of a number of projects that were expected at the end of FY23, reflecting residual effects of continued uncertainty in the post-COVID business environment. Entrance control is typically one of the last items to be installed on new developments. The delayed projects contributed to a 9% reduction in FY23 product sales to £2.8m but these have come through in early FY24 and, coupled with a large and rigorously qualified pipeline and growth in service revenue, the division is well positioned for further growth in FY24.

Exhibit 13: Physical Security Solutions revenue



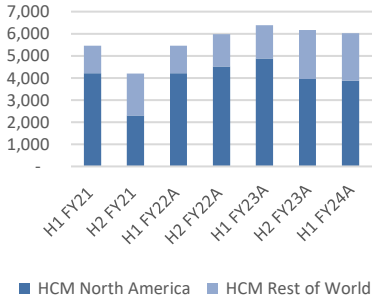
Source: Company; Allenby Capital

As a result, at the start of FY24, the pipeline stood at £9.5m with a further £4.6m of quoted ‘suspects’, compared with a total pipeline of £5.4m at the start of FY23. The planned investment in Sales and Marketing during FY23, enabled the sales team to achieve new orders of £3.9m (FY22: £3.0m).

Although FY23 revenue returned to growth, gross margin declined 6ppts to 34%. This partly reflected the under-utilisation of field-based engineers as Safetell invested in its capacity in order to offer rapid response on a national basis and the expectation of further growth. As additional service contracts are secured in FY24, this should normalise and the division should return to profitability. The sourcing of lower cost automatic door and entrance control alternatives in FY23 will also benefit margins going forward.

H1 F24 revenue grew 24% to £2.7m with similar growth rates at both Products and Services. H1 FY24 saw the ongoing roll out of protection screens at retailers and work with

Exhibit 14: HCM revenue (£000s)



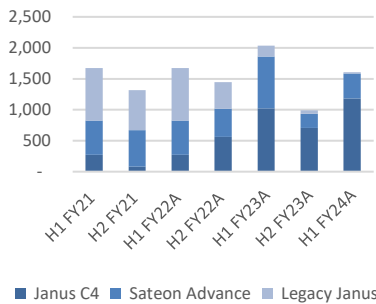
Source: Company; Allenby Capital

police forces and additional wins for auto door maintenance contracts with two universities, a major convenience retailer and a railway franchise.

Second, within **People & Data Management**, the **HCM** business has expanded from the simple supply of hardware (timeclocks) to the provision of hardware-enabled software and services. This has resulted in the growth of annualised recurring revenue that provide much greater revenue visibility and revenue stickiness. This increased 133% to £2.1m in FY23 and by 77% to £2.3m in H1 FY24. More recently, the decision by long-time HCM software partner Ultimate Kronos Group (UKG) to take the supply of timeclocks in-house impacted revenue in H2 FY23 and H1 FY24. The acquisition consolidated two large HCM software providers but also one of the largest device manufacturers, creating an opportunity for independent players. Newmark secured three additional HCM software partners in H1 FY24, however, and these should flow through to additional sales in H2 and beyond and help to derisk the division.

In FY23, HCM grew 10% to £12.6m with HCM Rest of World increased 37% to £3.7m and there was particular growth in European partner revenue. The 1% growth in North America to £8.8m came despite the loss of UKG in Q3 – H2 FY23 North America revenue fell 12%. This trend continued in H1 FY24 with HCM Rest of World +42% to £2.1m and North America down 20% to £3.9m, albeit flat on H2 FY23.

Exhibit 15: Access Control revenue (£000s)



Source: Company; Allenby Capital

In **Access Control**, management is in the process of migrating customers of legacy Janus and Sateon products, following the end-of-life announcement in FY22, onto the latest JanusC4 product that offers a substantially larger addressable market. In FY23, Access Control revenue fell 3% to £3.0m but there was good growth for JanusC4, (+108% to £1.7m), some growth in Sateon Advance (+5% to £1.1m) and an expected falling away of the Legacy Janus (down 82% to £0.2m). This continued in H1 FY24 with JanusC4 up 16% to £1.2m and Sateon Advance down 52% to £0.4m and Legacy Janus down 87% to £23k. Overall, Access Control fell 21% to £1.6m but increased 62% sequentially.

On a geographic basis, the UK was the largest market until FY22 when it was overtaken by the US that had been growing for a number of years. This reversed in FY23, partly reflecting the impact of UKG, but we would anticipate the US to be the largest going forward as it is the largest market for HCM products and home to the largest HCM software providers.

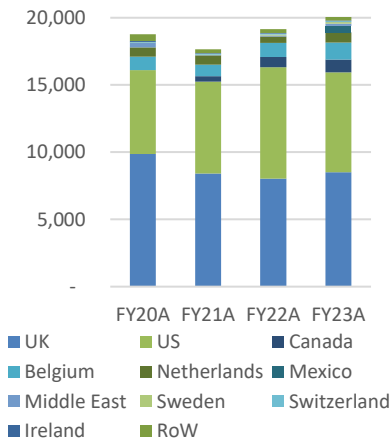
Costs

In FY22, management undertook a cost control programme and increased prices and secured better commercial terms where possible to mitigate the impact of higher component and freight costs. This flowed through to a full year in FY23 and gross margin increased 410bps to 37.6%. The higher gross margin also reflected changes in the business mix with a larger percentage of revenue derived from higher margin services contracts and recurring revenue from HCM SaaS and ClaaS increased 133% to £2.1m.

The company has not been immune to inflationary pressures, however, and H1 FY24 gross margin declined 170bps to 37.2%, with declines in both divisions, reflecting higher labour and amortisation costs, product mix timing and the loss of the UKG business. These should recover in H2 and H1 FY24 GM was 100bps higher than H2 FY23.

Operating costs in FY23 reduced 3.7% to £7.4m and this, coupled with the revenue growth and gross margin appreciation, resulted in a £1.3m increase in adj. EBITDA to £1.3m. In H1 FY24, operating costs increased 5% to £3.8m, reflecting additional headcount and inflation, and EBITDA reduced 28.2% to £0.8m, albeit a £0.4m improvement on H2 FY23. These margins should increase as utilisation rates improve and operational gearing comes through.

Exhibit 16: Revenue by geography



Source: Company

Newmark successfully navigated the supply chain issues face by many companies for the supply of components. That said, inventory levels remained elevated at the end of FY23 as Newmark sought to ensure that it was able to fulfil customer orders. As supply chains have normalised and Newmark has selected additional manufacturers, Inventories decreased £0.4m to £3.7m due the gradual normalisation of global supply chains. Trade and Other Receivables remained flat at £4.5m and Trade and Other Payables reduced £1.4m.

Cash was effectively zero at H1 (£0.01m), down £0.6m, and Newmark has an unused £0.4m UK overdraft facility. Total borrowings reduced £0.3m to £5.6m, reflecting CBILS loan and lease repayments. The UK invoice financing facility remains at £2.3m and the US facility at \$2m.

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Allenby Capital, 5 St Helen's Place London EC3A 6AB, +44 (0)20 3328 5656, www.allenbycapital.com