

Corporate

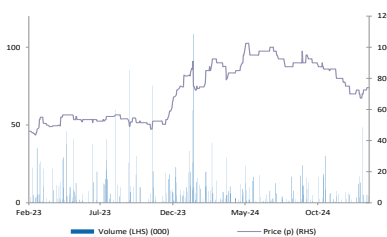
Current price **75.0p**

Sector **TMT**

Code **NWT.L**

Listing **AIM**

Share Performance



% Change **1m 3m 12m**

NWT.L +7.1 -12.8 +3.5

Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **6.9**

Shares in issue (m) **9.4**

52 weeks (p) **High Low**

102.5 67.5

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%**

Mr & Mrs D Bitner and Son **4.0%**

Dr B Beßmann **3.3%**

Source: Company Data, Allenby Capital

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Newmark Security plc (NWT.L)

H2 growth anticipated in both divisions

Interims from Newmark Security plc, a leading provider of electronic, software, and physical security systems and installation, indicated further growth in recurring revenue and services. ARR at the Human Capital Management (HCM) part of Grosvenor Technology increased 30% to £3.0m, benefiting group gross margin (up 0.9 percentage points to 38.1%). As a result, group gross profit was flat at £3.9m on revenue down 1.3% to £10.2m. Increased investment, in line with the five-year plan, resulted in EBITDA down £0.3m at £0.5m. Cash of £0.3m (H1 FY24: £0.01m) and net debt, excluding leases, was £2.2m (H1 FY24: £3.7m). The H2 outlook is positive. A substantial HCM sales pipeline in both North America and Rest of World (RoW) should deliver FY revenue growth and the Safetell physical security division has won a number of new contracts, and combined with growing service revenue, should see H2 growth. Profitability has been improving with each quarter and management believes this should persist into Q4.

- Grosvenor Technology:** HCM ARR +30% to £3.0m as at October 2024 and total HCM revenue +8% to £6.5m with North America, the core growth market, +16% to £4.5m with a key partner reporting strong demand for the GT10 device. Grosvenor continues to execute on its strategy of building a ‘hardware-enabled software and services’ business with subscription revenue increasing revenue visibility. GT Connect, Grosvenor’s platform, is now processing >12.1m monthly clock-ins and HCM has >35,000 monthly device subscriptions for GT Connect and other GT Services. HCM RoW revenue fell £0.1m to £2.0m reflecting temporary disruption at Grosvenor’s largest partner following a series of acquisitions. Sales activity has picked up in H2. **Access Control** experienced a slower than expected start with delays to upgrade projects and the third-party software for the new Janus C4 Ultras. Consequently, revenue fell 19% to £1.3m. These delays have been resolved and the sales pipeline strengthened. Divisional focus remains on HCM, however.

- Safetell:** As previously flagged, four significant contracts were delayed into H2 and H1 revenue fell 13% to £2.4m, with Product revenue down 37% to £1.2m. The division continues to grow its share of service and maintenance work in the UK automatic door servicing market. During H1, it also extended existing service contracts with two large banking customers, a major petrol retailer and completed the installation of physical security infrastructure at a new Premier League football stadium. There were new automatic door service contracts, including a national retailer, a regional train operator, and a major pharmaceutical business. These increase revenue visibility. New contracts were also secured with a major housing trust, a UK charity and a UK university.

- Outlook:** Growth expected in both divisions in H2 and FY25 revenue to exceed FY24. Profitability has been improving each quarter and this trend should continue into Q4.

Year End: 30 April

(£'000)	2020A	2021A	2022A	2023A	2024A
REVENUE	18,767	17,658	19,145	20,314	22,277
ADJ. EBITDA	1,441	1,181	158	1,485	2,233
ADJ. PBT	398	35	(1,310)	(64)	388
ADJ. EPS (p)	0.3	0.1	(0.3)	3.8	1.3
NET CASH	(1,385)	(2,190)	(5,248)	(5,358)	(3,734)
EV/REVENUE (x)	0.4	0.5	0.6	0.6	0.5
EV/EBITDA (x)	5.8	7.7	7.7	8.3	4.8

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

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Growth in recurring revenue streams and its service offering and a higher proportion of software revenue

Strategic investment

Positive H2 outlook

Exhibit 1: People & Data Management revenue

£000s	H1 FY24	H1 FY25	%
HCM North America	3,887	4,527	+16.5
HCM RoW	2,134	2,003	-6.1
HCM Total	6,021	6,530	8.5
Access Control	1,608	1,303	-19.0
People & Data total	7,629	7,833	+2.7

Source: Company; Allenby Capital

Human Capital Management

Investment summary

Newmark Security plc (NWT.L) provides investors with exposure to the growth in global spend by organisations on products and services to protect people and assets in the workplace. 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). The Group 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) in multiple geographic markets.

Historically, Newmark was focused on the provision of hardware, supported by services, but has successfully shifted strategy over the past couple of years to focus on growing recurring revenue streams and its service offering and securing a higher proportion of software revenue. This increases revenue visibility and gross margins via long-term enterprise subscriptions and services contracts. Newmark has also increased sales via indirect channels and expanded geographically, particularly in North America. This has substantially increased the size of its addressable markets and sales and marketing reach.

The move to hardware-enabled software and services, particularly in HCM, Newmark's largest business, provides the opportunity for repeat sales and upselling as Newmark maintains a much closer working relationship with its customers.

Interims – improving gross margins

Interims indicated further growth in recurring revenue and services on group revenue that fell 1.3% to £10.2m - People and Data Management (Grosvenor Technology) increased 3% to £7.8m whereas Physical Security Solutions fell 13% to £2.4m. ARR at the Human Capital Management (HCM) part of Grosvenor increased 30% to £3.0m and this benefited group gross margin (up 0.9 percentage points to 38.1%). As a result, gross profit was flat at £3.9m. Increased investment, in line with the five-year strategic plan, and inflation increased operating costs by 10% to £4.2m and resulted in EBITDA down £0.3m at £0.5m.

Cash of £0.3m (H1 FY24: £0.01m) with an unused £0.2m UK overdraft facility (H1 FY24: £0.4m). Net debt, excluding leases, was £2.2m (H1 FY24: £3.7m). This reflected higher cash balances, CBILS loan repayments and lower invoice discount draw downs. The UK invoice financing facility remains in place at £2.3m but the \$2m US facility from Seacoast National Bank is being replaced by a \$2m RCF from HSBC that offers greater flexibility and a lower interest rate.

The H2 outlook is positive. A substantial HCM sales pipeline in both North America and Rest of World (RoW) should deliver FY revenue growth for Grosvenor and Safetell has won a number of new contracts, combined with growing service revenue and the four delayed contracts. As a result, there should be an H2 weighting to FY25 with revenue growth in both H2 and FY25. Profitability has been improving with each quarter and management believes this should persist into Q4, albeit operating costs have increased, reflecting planned investment and inflation.

People and Data Management (Grosvenor Technology)

HCM revenue increased 8% to £6.5m in H1 with subscription-based annual recurring revenue (ARR) increasing 30% to £3.0m as at October 2024. GT Connect, HCM's platform, now processes >12.1m monthly clock-ins and there are >35,000 monthly device subscriptions for GT Connect and other GT Services.

North America revenue increased 16% to £4.5m in H1, with one of Grosvenor's largest partners reporting robust demand for the GT10 device. Discussions are advanced for the introduction of the next generation GT10-2 to replace the GT10-1 in H2. Demand for the GT4 and lower-cost GT4-Lite devices were also particularly strong, with orders for the

latter helping to Grosvenor to take market share, displacing its main low-cost clock competitor.

HCM RoW revenue fell £0.1m to £2.0m, reflecting temporary disruption at Grosvenor's largest partner following a series of acquisitions. Sales activity has picked up in H2 with orders from two major retailers and FY25 revenue is expected to grow over FY24. The partner's acquisitions have led to its expansion into new European markets and Newmark should benefit as the sole provider of timeclock software and hardware.

Earlier in FY25, management announced the pending launch of GT Time, in partnership with Oracle, to target the Direct to Enterprise market and the expansion of data security and compliance. Grosvenor has hired a senior US consultant with experience in global HCM markets to accelerate the rollout of GT Time. The beta test phase of the integrated HCM clock and Oracle cloud-based software has been completed, including Oracle certification. Management reports a growing sales pipeline and Direct to Enterprise represents a substantial potential market.

Access Control

Revenue in **Access Control** fell 19% to £1.3m with a slower than expected start to FY25 after delays to upgrade projects and the third-party software for the new Janus C4 Ultras. These delays have been resolved and the sales pipeline for H2 has strengthened. Although Access Control continues to make a meaningful contribution, management will review the division's longer-term strategy in due course. In the immediate term, management is focusing Grosvenor's investment resources on HCM.

Exhibit 2: Physical Security revenue

£000s	H1 FY24	H1 FY25	%
Product	1,839	1,155	-37.2
Services	898	1,235	+37.5
Total	2,737	2,390	-12.7

Source: Company; Allenby Capital

Physical Security Solutions (Safetell)

As flagged in the AGM statement (22.10.24), four significant Safetell contracts were delayed into H2 and H1 revenue fell 13% to £2.4m, with revenue from Products down 37% to £1.2m. The division continues to grow its share of service and maintenance work in the UK automatic door servicing market. During H1, it extended existing service contracts with two large banking customers, a major petrol retailer and completed the installation of physical security at a new Premier League football stadium.

There were new automatic door service contracts, including a national retailer, a regional train operator, and a major pharmaceutical business. These increase revenue visibility. Contracts were also secured with a major housing trust, a UK charity and a UK university. Given the slippage of contracts into H2 as well as the other wins, Safetell revenue is expected to be H2 weighted and FY25 to demonstrate over FY24.

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