

# Vista Group International Ltd

## Upgrades revenue guidance; monitoring Cineworld

Vista Group International Ltd (ASX:VGL), a dual ASX/NZX-listed company, provides software to the film/cinema industry globally encompassing cinema management, film distribution and customer analytics. Its core 'Vista Cinema' offering optimises cinema management for multiplex exhibitors (20+ screens) and has ~51% global (ex-China) market share (with 7k sites in >100 countries). VGL also provides: (1) A Software-as-a-Service ('SaaS') software offering for smaller exhibitors (branded 'Vezzi'); (2) A SaaS campaign management and data analytics solution for exhibitors and distributors/studios (branded 'Movio'); and (3) Additional film studio/industry offerings via four smaller group companies, namely Maccs (film distribution software), Numero (box office reporting service), Powster (film marketing products), and Flicks (movie review and showtime guide). VGL has recently benefited from the post-lockdowns resurgence of movie goers and solid cinema slate. It has also noted two structural trends: (1) Studios continued support of an exclusive theatrical window; and (2) Accelerating industry adoption of cloud technologies and digitisation (which could boost adoption of the new offerings of 'Vista Cloud' [2 live customers] and 'Vista Digital' [an omni-channel experience for movie goers]); as well as cinema's traditional outperformance in weaker economic conditions.

### Business model

VGL's business model spans the cinema/film industry from production and distribution to exhibition and the movie goer. It generates revenue via: (1) Recurring revenue (non-SaaS) primarily from on-premise subscription and maintenance fees for Vista Cinema; (2) Recurring SaaS revenue principally from annual subscription fees to access cloud-hosted software (Vezzi, Movio, Maccs, Numero and now Vista Cinema); (3) Variable SaaS fees (largely from ticket sales via Vista Cinema); and (4) Non-recurring revenue from perpetual licensing of Vista Cinema on-premise software (now 5% of revenue) and various one-off services across its businesses. The majority of VGL's revenue (68%) is derived from Vista Cinema and Vezzi, with the remainder from Movio (15%) and the four smaller companies (17%). 83% of VGL's FY21 revenue was classified as recurring (including SaaS fees [28% of total revenue]). The geographic FY21 revenue split was US (33%), UK (30%), NZ (18%) and other countries (19%).

### NZ\$3.1m EBITDA in June half; monitoring Cineworld

VGL recently disclosed the following H1 (June half) FY22 financial information: (1) NZ\$62.4m revenue (up 39% on pcp) as it benefited from the post-lockdowns resurgence of movie goers and ceased recurring fee discounting; (2) NZ\$3.1m EBITDA (5.0% margin); (3) NZ\$18m net loss (includes \$10m China impairment); (4) NZ\$5.1m operating cashflows and NZ\$3.2m free cash outflows (includes \$7.6m capitalised development spend); and (5) NZ\$33.5m net cash (includes NZ\$18.4m debt). Notably, VGL upgraded its FY22 revenue guidance from NZ\$118-\$123m (~20% growth) to NZ\$123-128m (~28% growth) attributable to the strength of the cinema industry recovery. Separately, one of its key customers, Cineworld, recently stated that it may file for bankruptcy. \* VGL's response was it "does not expect it to have a material impact on the current year guidance" but "is continuing to monitor the situation closely."

\*Cineworld filed for US bankruptcy on 7 September.

### Trading at a premium to ASX All Tech Index EV/EBITDA

VGL is trading at 3.0x FY22f EV/Revenue and 50x FY22f EV/EBITDA. For FY23f, the metrics are 2.8x and 27x respectively (Source: Refinitiv). With no listed pure-play peers, the ASX All Tech Index (XTX) provides a valuation yardstick – with VGL trading at a discount to XTX's 12-month forward mean EV/Revenue of 3.3x but a premium to its EV/EBITDA of 17x.

#### Historical earnings and ratios (in NZ\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT rep.	EPS rep. (c)	EV/Revenue (x)	EV/EBITDA adj.* (x)	PER (x)
12/18a	130.7	32.8	12.8	7.0	1.9	7.5	23.3
12/19a	144.5	31.1	13.0	7.0	1.8	8.5	23.3
12/20a	87.5	(11.4)	(57.1)	(24.0)	3.7	n.m.	n.m.
12/21a	98.1	6.5	(9.9)	(4.0)	3.4	51.3	n.m.

Source: Company data \*EBITDA adjusted for one-off items and excludes share of losses from associates and joint ventures and FY20 NZ\$28.4m impairment charge; \*\* Not meaningful

## Software & Services

9<sup>th</sup> September 2022

### Share Details

ASX code	VGL
Share price (8-Sept)	A\$1.40/NZ\$1.62
Market capitalisation	A\$327M/NZ\$378M
Shares on issue	233.19M
Net cash at 30-Jun-2022	NZ\$33.5M
Free float	~90%

### Share Performance (12 months)



### Upside Case

- Stronger-than-expected growth in new cinema sites/clients and cinema attendances
- Higher-than-expected uptake of new Vista Cloud and Vista Digital offerings
- Profit/cashflow allows resumption of dividends

### Downside Case

- Loss of sites/client(s) and/or lower-than-expected revenue from Cineworld
- Lower-than-expected cinema attendances
- Exchange rate risk (~82% non-NZ revenue)

### Catalysts

- Exceeds FY22 guidance
- Resumption of dividends

### Comparable companies (Aust/NZ)

Fineos (ASX:FCL), Objective (ASX:OCL), Technology One (ASX:TNE), Hansen (ASX:HSN)

### Board and Management

Susan Peterson	Non-Exec. Chairman
Murray Holdaway	Exec. Director / CPO
Kimbal Riley	CEO
Kirk Senior	Non-Exec. Director
Claudia Batten	Non-Exec. Director
Cristiano Nicolli	Non-Exec. Director
James Miller	Non-Exec. Director

### Company Contact

Matt Cawte (CFO) +64 9 984 4570  
matt.cawte@vista.co

### RaaS Contact

Clare Porta, CFA +61 413 040 540  
clare.porta@raasgroup.com

# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

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- how we are paid, and
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Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: [finola.burke@raasgroup.com](mailto:finola.burke@raasgroup.com)

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