

AiM Inheritance Tax Service Company Spotlight

Oxford Metrics Plc

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Share price ¹	101p
Mkt. Cap ¹	£131.1m
Net cash ²	£67.7m
Forecast P/E ratio ¹	27.3x

¹ Data as at 15 December 2022.

² Data as at 30 September 2022. Excludes lease liabilities.

Company profile

Oxford Metrics enables the interface between the real world and its “digital twin” with a core focus on smart sensing technology. The group is best known for its Vicon motion capture system which has a growing number of applications as motion measurement increasingly enters the mainstream. The group breaks its end markets into four segments: Engineering, Entertainment, Life Sciences, and Location-based Entertainment (Virtual Reality). Customers use Oxford Metrics’ technology to help to accelerate the rehabilitation of injured elite athletes; create immersive, free-to-roam Virtual Reality experiences; produce the latest blockbuster movies and triple-A computer games; improve therapeutic outcomes for patients; and evaluate new product designs before they are built.

In terms of real-world uses of Vicon’s technology, FIFA is using it as part of its goal-line technology, Industrial Light and Magic used it to create digital versions of ABBA for their holographic ‘Voyage’ concert, and it even enabled NASA to operate a helicopter on Mars. In sport, Loughborough University analyse England’s cricket teams to finesse their bowling action, most recently helping England men win last month’s T20 World Cup.

Disposal

Management are skilled capital allocators, having previously built and then successfully sold businesses for significant shareholder gain. The most recent example was the sale of Yotta, the group’s infrastructure asset management software provider, for £52m which generated a gain of over £40m. The valuation achieved

was viewed as extremely attractive given Yotta only generated annual revenue of £8.1m and an adjusted pre-tax profit of £0.8m. To put the £52m into further context, the market capitalisation of Oxford Metrics at the time of the disposal was £100m with Yotta only generating 10% of total group profit.

The disposal of Yotta brings greater focus on its market-leading business, Vicon, and will provide greater operational gearing (profit margins expand as sales rise), as well as considerably increasing its financial firepower to accelerate investment both organically within its own business and through selective acquisitions. Any investment will aim to both broaden Vicon’s product set and extend the group’s sensing and analysis capabilities.

Founded in **1984** and floated on the London Stock Exchange (AiM) in **2001**.

Has won an Emmy and an Oscar for its visual effects & motion capture technology.

FY sales to end-Sep 2022 were up **4.5%** to **£28.8m**, while adjusted pre-tax profit fell **35.5%** to **£2.6m**.

The group had a record book at year-end, up **307%** to **£24m**.

Sells to over **70** countries across **10,000** active customers including NASA, Boeing, BMW, EA Sports, and Guy’s Hospital.



Acquisitions

Management have historically demonstrated a disciplined approach to acquisitions. They are keen to maximise the earnings potential from its current £68m cash war chest. While private company valuations have started to fall, catching down to public market valuations, they are not yet at levels that offer sufficient value. Acquisitions must possess strong intellectual property with hard to replicate technology, attractive cashflow metrics, strong revenue visibility, and a robust market position in an attractive niche.



Five-year strategy

The group has laid out explicit growth plans to grow FY21 revenues (£35.6m inc. Yotta) by 2.5x over the next five years while generating a 15% pre-tax profit margin by the end of the period. Key to achieving these milestones will be enhancing its product set, selling across a wider customer base, and significantly increasing its total addressable market. In particular, the strategy focuses on three core capabilities of the group: **Sense**, **Analyse**, and **Apply**.

Sense – Through research & development (R&D) and mergers & acquisitions (M&A), extend the capabilities of its smart sensing systems and develop key industry relationships.

Analyse – Enhance the analysis the group performs to improve its current product set while also making its technology applicable to other new users.

Apply – Look to embed its technology in other providers' solutions through R&D, M&A, and using other channel partners. An example of this is its burgeoning relationships with Location-based Entertainment operators, such as Sandbox VR and Immersive Gamebox, who are rolling out new venues globally, delivering innovative, immersive Virtual Reality experiences.



Share price graph



Source: Bloomberg

Important Information

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