

Corporate

 Current price **90p**

 Sector **TMT**

 Code **MIRA.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **8.0**

 Shares in issue (m) **8.9**

52 weeks	High	Low
	160	72.5

 Financial year end **March 30**

Source: Company Data, Allenby Capital

Key Shareholders

 Kaptungs **87.2%**

 S Septien **1.5%**

 Hargreave Hale **1.1%**

Source: Company Data, Allenby Capital

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Mirada plc (MIRA.L)

FY20: Progress on multiple fronts

Mirada, the leading provider of end-to-end multiscreen, multiplatform software for Digital TV operators and broadcasters, saw progress on the financial, commercial and functional fronts in FY20. Reported revenue increased 7% to \$13.2m. Stripping out the non-core Mirada Connect business (sold in July), revenue was +13% to \$13.0m. Adj. EBITDA more than trebled to \$2.5m plus a \$1.7m gain on disposal. The roll out at izzi Telecom continues but this was supplemented with deployments with other customers in multiple geographies and Mirada won the PMO contract in Spain. During FY20 Mirada launched its Android TV custom launcher, integrated with premium content providers, including Netflix, and increased the range of supported devices. As a result, it can offer operators a broader and functionally richer offering as they try to capitalise on higher content consumption trends and ensure that their services meet subscriber expectations. Forecasts remain under review but we anticipate further growth.

- Revenue & EBITDA growth** – Reported revenue +7% to \$13.2m with the final \$0.2m Mirada Connect contribution - underlying growth was 13%. Development Services increased \$1.5m to \$8.0m driven by the customisation of the Android TV custom launcher for izzi Telecom but growth in other customers meant izzi reduced as a proportion of revenue to 72% (FY19: 78%). Adj. EBITDA, excluding the one-off Mirada Connect gain (\$1.7m), increased \$1.7m to \$2.5m. There was a \$3.0m positive swing in operating cashflow to \$1.8m but Mirada continues to invest in its product set and capitalised development increased \$1.2m to \$4.3m, partly offset by the Connect disposal proceeds (\$2.6m). Net debt increased \$0.2m to \$5.1m. The €1.3m loan with the largest shareholder was extended to November 2021 and an additional €1.6m long-term unsecured Government guaranteed loan was secured post period end.

- Deployments & new contract** – izzi Telecom's roll out continues with 2.8m Linux STBs installed in c. 1.5m households at year end and >1m households now using izzi's OTT product from Mirada. There is scope for further growth as izzi has >4.2m pay TV customers representing >8m STB. Mirada has also worked closely with izzi and Google to develop the next generation service based on Android TV and izzi was the first to deploy Netflix within Iris. At ATN International, the Mirada-based service is live at One Communications (Bermuda) and Viya (US Virgin Islands) should follow shortly. Digital TV Edmund (Bolivia) should resolve some internal technical issues in the next few months and adoption of Iris in SkyTel (Mongolia) has been much higher than expected. In September, Mirada secured the contract with PMO for Zapi, its forthcoming OTT service, with the potential to be Mirada's largest European deployment to date. The COVID-19 impact has been mixed with customers benefiting from a surge in content consumption but decision-making cycles extended.

Year End: March 30

(\$'000)	2017A	2018A	2019A	2020A	2021E
REVENUE	8,489	8,816	12,322	13,157	
ADJ. EBITDA	3	(1,121)	814	2,495	
ADJ. PBT	(3,181)	(5,096)	(3,226)	(1,424)	
ADJ. EPS (p)	(236.16)	(345.04)	(58.43)	(12.47)	
NET CASH	(5,253)	(11,703)	(4,861)	(5,047)	
EV/EBITDA (x)	NEG	NEG	18.2	6.0	
PER (x)	NEG	NEG	NEG	NEG	

Allenby Capital acts as Nomad & Broker to Mirada plc (MIRA.L).

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Financial, commercial and functional

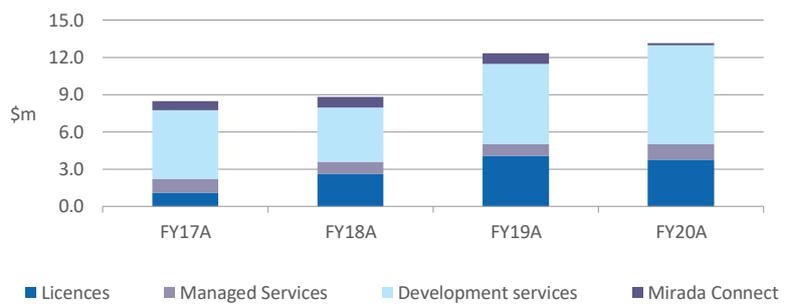
Progress on multiple fronts

Mirada, the leading provider of end-to-end multiscreen, multiplatform software for Digital TV operators and broadcasters, saw progress on financial, commercial and functional fronts in FY20. Underlying revenue increased 13% to \$13.0m and adj. EBITDA more than trebled to \$2.5m. The company also successfully disposed of the non-core Mirada Connect division that resulted in a \$1.7m one-off gain on disposal and associated \$2.6m cash inflow.

Mirada continues to invest in its product set (capitalised development spend increased \$1.2m to \$4.3m) and the shift to SaaS deployments does mean higher upfront costs but a higher medium term return on investment and increased revenue visibility. As a result, net debt increased \$0.2m to \$5.1m. This may deter some potential investors though €1.3m of the debt has been provided by Mirada’s largest shareholder.

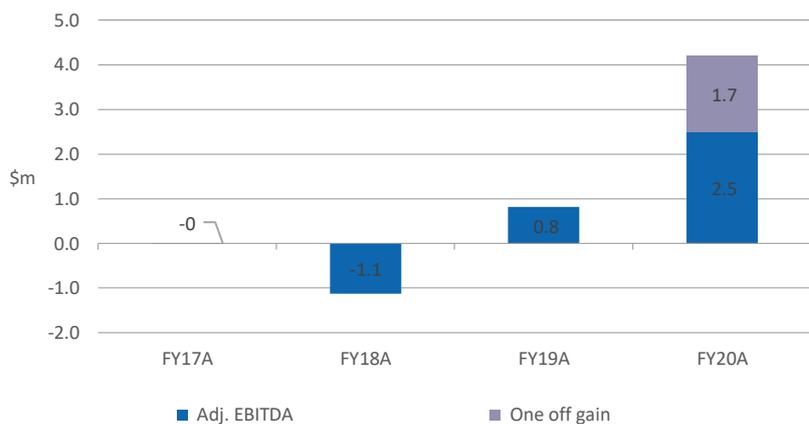
Mirada continued to deploy its Iris software to existing customers, secured a new customer in Spain and reports a healthy sales pipeline. COVID-19 has resulted in a surge in demand for audio visual content and connectivity and providers are investing to provide the best possible service to their subscribers to retain and maximise subscriber revenue. Mirada offers a high-end software solution that encompasses flexibility and functionality for digital TV operators and broadcasters that do not have the resources to develop their own bespoke systems. Forecasts remain under review but we anticipate further growth at the top and bottom line.

Exhibit 1: Revenue progression



Source: Company; Allenby Capital

Exhibit 2: Adj. EBITDA (\$m)



Source: Company; Allenby Capital

Iris Launcher for Android TV Operator**Functional enhancements**

During FY20 Mirada launched the Android TV version of its Iris multiscreen software for set top boxes (STBs) using the rapidly growing Android TV operating system. This complements its existing Linux-based software. Iris Launcher for Android TV Operator takes the existing Iris functionality and provides access to third-party apps available in the Google Play store but enables operators to maintain their own customised user experience. Mirada worked closely with Google and izzi Telecom to develop this next generation service and izzi Telecom is likely to become the largest Android TV deployment in the Americas to date.

PMO contract

In September, Mirada won a contract with PMO (Plataforma Multimedia de Operadores) in Spain for Iris on Android. PMO is a new company created by a group of Spanish independent telecommunications suppliers. The main shareholder is Procono S.A.U (southern Spain), alongside Opencable (a wholesale service operator with more than sixty local operators), ACUTEL (Association of Local Telecommunications Operators of Andalusia) and AOTEC (National Association of Telecommunications Operators and Internet Services).

The new OTT-based TV service, Zapi, was announced in Q1 and is scheduled to go live shortly and has the potential to become Mirada's largest Iris deployment in Europe to date and is expected to reach at least 600,000 subscribers with content accessed via Android STBs, smartphones, tablets, laptops and Smart TVs.

Premium content providers

Mirada also integrated Iris with a number of premium content providers, including Netflix, so operators with agreements with those content providers can offer their subscribers seamless access to the Video on Demand (VoD) streaming services directly from their Iris pay TV platforms rather than switching apps. izzi was first to add this Netflix option to their service and it has been well received. Finally, Mirada has increased the range of supported devices reflecting ongoing changes in content consumption.

Iris in Swift Mode

Post period end, Mirada announced Iris in Swift Mode that substantially increases Mirada's addressable market. Swift Mode is a version of Iris that will enable smaller operators and content owners to deploy a competitive, cloud-based video service with a rapid time to market and low upfront costs. Available in standard or plus versions, Swift Mode delivers live and on-demand content across a wide variety of devices (including smartphones, tablets, laptops, Android set top boxes, smart TVs and Google Chromecast).

Swift Mode includes all the advanced features of Iris, such as cDVR (cloud Digital Video Recorder), advanced remote-control functionality, Live2VoD and content discovery, promotion and advertising features. Customers can also access Mirada's LogIQ analytics and Swift will incorporate Mirada's Evolver UX (user experience) tool that enables operators to change the way its offering is presented and promoted to different groups of subscribers in real time. As a cloud-based service, new features can be added quickly and operators can easily scale their service.

Wider product portfolio with increased functionality

As a result of its investment, Mirada can offer its customers a wider product portfolio with increased functionality.

Customer deployments and win

The deployments beyond izzi Telecom are also progressing. At ATN International, the Mirada-based service is live at One Communications (Bermuda) and Viya (US Virgin Islands) should follow shortly. Digital TV Edmund (Bolivia) has had some internal technical issues and these should be resolved in the next few months. Mirada continues to provide support while Digital TV works to fully deploy its pay TV service. This deployment also represents the first certifications of Mirada's Smart TV technology and its support for Roku.

Most popular iOS and Android apps in Mongolia

Adoption of Iris in SkyTel (Mongolia) has been much higher than anticipated. The service was expected to have less than ten thousand subscribers during the first year of operation but it achieved more than 280,000 subscribers in its first nine months and Mirada's has had the most popular iOS and Android apps in the country.

Gradually reducing reliance on izzi Telecom

izzi Telecom represents an important reference customer for Mirada and the functionality that Mirada has developed for izzi can be offered to other potential customers. The successful customer diversification is reducing Mirada's reliance on izzi Telecom though it continues to be the company's biggest customer representing 72% of revenue (FY19: 78%).

Improved medium and long-term ROI plus increased revenue visibility.

The newer customers are typically based on a SaaS rather than the capex model employed in the izzi contract. SaaS customers have access to continuous product improvements and the revenue model is aligned to their own models - Mirada increases its recurring revenue base as the number of subscribers grow. The SaaS model typically involves higher upfront costs for Mirada that are not capitalised but an improved medium and long-term return on investment as well increased revenue visibility.

COVID-19 – mixed impact

The impact of COVID-19 has been mixed for Mirada. The company transitioned to complete remote working at the start of March and management reports that operations remain perfectly normal with no impact on its ability to deliver products and services. Mirada's customers, and the sector at large, have seen an unprecedented surge in consumption. In addition, broadband usage has increased more than 30% in its customers' networks as lockdown restrictions have come into effect.

Changes in consumption patterns

In June, Mirada released global data from its LogIQ data analytics platform on the changes in consumption patterns caused by the pandemic. Between 1 February and 30 April, total linear TV (traditional, scheduled TV) consumption increased 24% and consumption of linear news channels >80%. VoD consumption increased 41% and children's VoD by 56%, 79% Monday to Friday, reflecting the impact of home schooling, working from home and the lockdown on the viewing habits and screen time amongst children. There was a 48% increase in purchasing additional TV content from Transactional Video on Demand.

To put this data into context, TV operators will typically only see a monthly variation in consumption of c. 2%. Although many operators have expanded their content offerings to subscribers, consumers have also been willing to spend more on content. In order to facilitate this, operators need to offer subscribers an optimised user experience, comparable to Netflix or Disney+, to enable content discovery, content portability etc.

Record level of revenue visibility

This increase in activity has resulted in a record level of revenue visibility for the coming year. That said, while management reports a healthy sales pipeline, it seems inevitable that there will be delays in decision-making by potential customers. Given the mission-critical nature of Mirada's software, sales cycles already tended to be extended. And the longer-term impact of the pandemic on the purchasing power of consumers and knock on impact of telco and pay TV businesses is far from clear.

The addition of Android TV, the integration with Netflix and the launch of Swift Mode means Mirada can offer a functional and flexible offering for digital tv operators of any size.

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