Eagle Eye Solutions

Partner stimulus

Eagle Eye Solutions is transitioning to a SaaS business model, which, combined with weak underlying consumer markets, is affecting short-term prospects. To focus on this, though, is to miss the bigger picture of a group that is helping retailers (in the broadest sense) with loyalty and rewards programmes on an increasingly real-time and personalised basis, at scale. New routes to market through important partnerships are widening the addressable market by vertical and by geography. Management expects the new original equipment manufacturer (OEM) agreement with one the world's leading enterprise software vendors, signed in January 2025, to be transformational to the group's prospects, with material revenues starting to build into FY27. The medium-term revenue target is £100m, generating an adjusted EBITDA margin of 30%. The route to get there is looking increasingly achievable.

Partners extending reach

The OEM relationship will see Eagle Eye's Air platform integrated into the vendor's client offerings, with the OEM handling all the sales and implementation aspects. This should open up significant new markets over the next three to five years. Outside this arrangement, Eagle Eye is also building its existing relationships with systems integrators, technology partners and Google. The intention is to have 50% of new annual recurring revenues (ARR) referred by partners over the medium term, up from the current level of 42%. The US is a key growth focus, given the size of the retail market, and the sales effort here has been scaled up. North America already accounts for 40% of ARR and over 50% of the pipeline.

Prospects build for growth and margin

Management reports better sales momentum post period end, with ARR of £2.5m won, including work in Mexico, which could scale significantly, and with Transurban, a toll road operator in Australia, opening a potential new vertical. New geographies will dilute the direct (gross) margin in the short term, but the underlying fundamental trend for EBITDA margins should be positive, given the benefits of scale, increasing productisation and growing proportion of SaaS revenues. Eagle Eye has a cash-positive balance sheet, with net cash of £11.7m, following a 12-month free cash flow conversion of 70%. It has recently agreed a £10m three-year revolving credit facility (with a £10m accordion), providing reassurance that it can fund the expected revenue acceleration without stressing the balance sheet, with the option to pursue M&A if accretive opportunities arise.

Consensus forecasts

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	EV/EBITDA (x)
6/23	43.1	8.8	4.3	4.25	88.5	11.4
6/24	47.7	11.3	4.5	19.47	19.3	8.9
6/25e	47.7	11.4	5.3	17.25	21.8	8.8
6/26e	52.0	13.0	6.7	16.90	22.2	7.7
6/27e	61.5	16.5	9.8	23.10	16.3	6.1

Source: LSEG Data & Analytics

Media

18 March 2025

Price	**376.00p**
Market cap	**£112m**

Share price performance

Share details

Code	EYE
Listing	AIM
Shares in issue	29.7m
Net cash as at 31 December 2024	£11.7m

Business description

Eagle Eye Solutions is a leading SaaS company enabling retail, travel and hospitality brands to earn the loyalty of their end customers by powering their real-time, omnichannel and personalised consumer marketing activities.

Bull points

- Increasing adoption of personalisation.
- Opportunities from new partnerships.
- Blue-chip international customer roster.

Bear points

- Difficult consumer markets.
- Slow pipeline conversion.
- Drag from legacy operations.

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