

TMT: ACCESS INTELLIGENCE (ACC.L); 2.75p/£7.1m BUY*

DISPOSAL & TRADING UPDATE: CASH STRENGTH

- Disposal of the Solcara, its federated search technology business to the legal profession, to Thomson Reuters (Professional) for £2.5m in cash in total (£250k held in escrow for 12 months). The disposal will result in a one off P&L gain of c. £2.0m as well as the cash injection (pro forma net cash is c. £4.6m).
- Solcara was purchased in November 2008 for £750k and the two non-legal parts of the business - Spotlight (for stakeholder communications) and ControlPoint (crisis management) - were transferred to other AI companies. The disposed business had revenue of £750k in FY10 and an operating profit of £19k.
- H1 trading for the balance of the group has been in line with a good performance from Due North and AIMediaCommunications while Cobent remains in transition and is loss-making.
- Due North and AIMedia have continued to add public sector clients and diversify into the private sector and although there have been few contract cancellations, seat numbers and pricing remains under some pressure.
- At Cobent, a new CEO, Heath Williams, was appointed in May. He has a strong pedigree in international sales and has successfully migrated clients from perpetual to SaaS licences.
- H1 FY11 adjusted EBITDA will be no less than £430k (H1 FY10: £704k) before one-off Cobent-related restructuring charges of £200k.
- Forecasts revised to reflect the Solcara disposal and we have pushed out the recovery of Cobent.

Year wend November	2010A	2011E*	2011E	2012E	2012E
Revenue (£m)	7.98	7.30	9.00	8.20	9.99
Adj. EBITDA (£m)	1.56	0.76	1.49	1.40	1.78
Adj. Pre-tax profit (£m)	1.37	0.51	1.27	1.20	1.57
Adj. EPS (p)	0.40	0.16	0.30	0.34	0.37
DPS (p)	0.00	0.0	0.00	0.0	0.00
Net Cash/(Debt) (£m)	2.21	4.60	2.94	5.60	3.75
P/E (x)	6.9	17.6x	9.2	8.1	7.4
Dividend yield (%)	0.0%	0.0%	0.0%	0.0	0.0%
EV/EBITDA (x)	3.1	2.4	2.8	1.1	1.9

SOURCE: Northland Capital Partners Limited. * excludes one off gain from sales of Solcara.

NORTHLAND UK VIEW: The successful disposal of Solcara at 3.3x historic revenue demonstrates an important facet of any buy-and-build strategy – develop and sell non-core parts inherited through an acquisition. The sale considerably bolsters the balance

sheet and the c. £4.6m in cash sits in stark contrast to a market cap of £7.1m. As previously argued, although selling into the Public Sector remains difficult Due North is able to save Public Sector bodies money through e-tendering and this saving is also auditable. Meanwhile AlMedia is successfully diversifying its business. Cobent remains in transition, and this has taken longer than expected, although the introduction of a seasoned international sales professional should enable the rebuilding of the sales pipeline to extract value from a strong product set. We introduce a BUY recommendation and set a 3.9p price target – based on 1.5p of cash plus a PER of 7.5x FY12 EPS.