

SAAS TO ENGAGE THE CUSTOMER

BY COLIN HAY

PATRONS SPEND MORE THAN \$7 BILLION ANNUALLY AT PUBS, CLUBS, STADIUMS AND OTHER VENUES ACROSS THE WORLD USING DIGITAL PAYMENTS INFRASTRUCTURE THAT HAS BEEN PROVIDED BY MSL SOLUTIONS LTD (ASX: MSL).

MSL Solutions (ASX:MSL) continues its push into the sports, leisure and hospitality markets with its point-of-sale systems and other digital enterprise services.

This positions MSL to benefit from a rising profile and opportunities that emerge as the Brisbane-headquartered company looks to increase technology spend in its targeted sectors, according to Partner at Aitken Murray Capital Partners, John Murray. The long-time growth investor outlines his thesis for MSL.

WHAT DO YOU SEE AS THE KEY GROWTH DRIVERS FOR MSL?

The owners of leisure and hospitality venues, most notably stadiums, are ramping up their technology spend. The wave of digitisation that was accelerated by the pandemic has now given way to other factors that have perpetuated the trend.

The forced adoption of technology due to public health measures—such as in-seat ordering and contactless payment systems—has educated venue managers and owners about the benefits of digitising their operations and investing in their technology infrastructure.

There is also significant government policy support aimed at boosting capital investment. Around the world investment incentives that are expected to boost economic productivity have been particularly favoured by policy makers, which adds to demand for digital products and services like those provided by MSL.

Adding to those structural drivers is the resurgence in business confidence, pent-up demand, as well as the boost to leisure spending from stimulus measures directed at households. As a result, the outlook for business-to-business technology service providers such as MSL is strong.

WHAT OTHER CATALYSTS COULD LIFT MSL'S PERFORMANCE?

The commodification of data has created substantial new revenue streams and assets for businesses in the digital economy. Many of those opportunities were not part of a company's original product suite but went on to become a substantial source of value for shareholders.

Now running into the billions of dollars annually, the growing volume of customer transactional activity facilitated at sports,

leisure and hospitality venues by MSL means the company commands a valuable pool of spending and patron activity data which other point-of-sale (POS) providers cannot access.

This will not only add to the strength of its ability to cross-sell business intelligence and other data-based services, but is a prospective driver of earnings growth that I think is currently underappreciated by the market.

HOW IS MSL PLACED TO FUND GROWTH OPPORTUNITIES?

After a number of new customer wins and the strategic acquisition of SwiftPOS last year, the company recorded a healthy rise in cash receipts despite the massive disruptions of 2020.

Strong improvements in income also followed a strategic review which saw management cut the group's expenses and lift its operating margin.

MSL is now [expected to deliver] its fourth consecutive quarter of positive operational cashflow, and that sustained operational cash surplus leaves the group well placed to re-invest in growth and product development.

CAN THE SHARE PRICE MOMENTUM BE SUSTAINED?

MSL shares have performed four times better than the ASX's All Technology Index over the last three months after adding more than 20 per cent over that period. Over the last 12 months the company's shares are up close to 150 per cent.

If it can continue to lift its market share with major sports, leisure and hospitality customers then the stock's prospects over the medium to long term are really quite positive.

Picking up another 22 venues last quarter through its relationship with ASM Global, one of the world's leading venue owners and entertainment companies, is a good indication of MSL's momentum.

