

SYNECTICS

A leader in advanced Security and Surveillance Systems

Synectics plc Final Results 2023

Protecting what matters, where it matters most



About Us

Synectics is a Leader in Advanced **Security** and **Surveillance** Systems

What We Do

- We develop and deliver security and surveillance solutions tailored for specific markets where security and surveillance are critical to operations
- Our core IP comprises our open architecture, proprietary Synergy software platform and COEX cameras

Why We Do It

- Our systems help protect people, property, communities and assets around the world
- We are committed to being a trusted partner, ensuring security, safety and peace of mind



Gaming



Oil & Gas



Public Space



Transport



Critical Infrastructure

223,000

Channels are being monitored and recorded by Synergy worldwide

270+

Synergy installations across key markets throughout the world

>10,000

COEX cameras delivered in the last 10 years

SYNECTICS



Overview

Revenue

£49.1m ↑26%

Underlying Profit

£3.1m ↑165%

Underlying EBITDA

£4.8m ↑49%

Order Book

£29.2m ↑20%

Net Cash

£4.6m

Final Dividend

3.0p ↑50%

Operational highlights

- Strong results, exceeding previous market expectations, underpinned by growing demand from the oil and gas sector
- Solid order book, reinforced by sound order intake and significant contract wins across all sectors in FY 2023, with continued momentum into 2024
- Continued investment in technology development saw the release of new AI and sector-specific features to the proprietary Synergy software platform and advancements to the COEX camera range
- Ongoing focus on specialist, core markets – gaming, oil and gas, public space, transport and critical infrastructure – offers significant growth opportunities

*All income statement figures set out in this presentation reflect underlying results and continuing operations, unless otherwise stated.

SYNECTICS

Develops and delivers proprietary, technology-led solutions to specialist markets globally.

Capabilities centre around a proprietary software platform and specialist cameras that are tailored to the unique requirements of customers.

Business Review

Systems Division

	2023	2022
Revenue (£m)	32.0	24.2
Underlying gross margin	46.4%	50.6%
Underlying operating profit (£m)	4.1	1.9
Underlying operating margin	12.7%	7.8%

- Performance underpinned by strong demand from oil and gas sector
- Marked recovery in the gaming market in Asia
- North American market more subdued in FY23, but encouraging signs to date in 2024
- Successfully secured a number of public space contracts despite continued budgetary constraints.
- Continued to explore opportunities to deploy technology into adjacent sectors

Critical Surveillance for an Offshore Oil & Gas Field



Oil & Gas

Saudi Aramco



Saudi Arabia

The Zuluf field is ~40km off Saudi Arabia's northeast coast.



COEX Cameras

Synectics' COEX cameras will cover critical locations to monitor process activities and protect employees and assets.



£5.5m contract value

Approx. half the project was delivered in FY23, with the remainder to be delivered in FY24.



Ensuring Regulatory Compliance for **Asian Casino Resort**



Gaming

Urban Casino Resort – Solaire Metro North



Asia

The casino resort and hotel offers a high-end mix of slots, table games, high-stakes poker, bars, and restaurants.



Synergy Security and Surveillance Software

Delivers multiple benefits, including access control, alarm management, workflows and dashboards.



Synectics IP Cameras



\$3.0m contract value



Delivers integrated solutions, service and support directly to end-users in the UK and Ireland.

Principally serves public space, transport, and national infrastructure markets.

Utilises a combination of proprietary technology and third-party products.

Business Review

Security Division

	2023	2022
Revenue (£m)	18.3	16.6
Underlying gross margin	28.3%	26.4%
Underlying operating profit (£m)	1.3	1.2
Underlying operating margin	7.1%	7.0%

- Successful delivery of ongoing projects with high profile clients, including City of London and West Midlands police, numerous local authorities and the Queen Elizabeth Olympic Park
- Completed a number of on-vehicle contracts in Ireland and the UK
- Currently reviewing go to market strategy to capitalise on opportunities
- Post year end, secured a £4.0 million contract through an agreement with National Grid to extend deployment to a further 13 sites

Long-Term Partnership with **International Energy Company**



Critical Infrastructure
National Grid



United Kingdom

Deliver security improvement works across 13 new sites.



End-to-End Solution

The provision and cyber-hardening of CCTV and Access Control Systems throughout the estate across the UK.







£4.0m contract value



Our Technology

We have made **significant strides** in advancing the development of our core intellectual property



-  Cutting-Edge Cloud Enhancements
-  Expanding AI and Analytics
-  Improved Mapping Capabilities
-  Fortifying Cybersecurity and Data Privacy

In 2023, the Company specifically focused on the evolution of its Synergy software platform and its COEX explosion-protected camera station range.

We continue to focus on releasing product enhancements and integrations that enable our solutions to expand beyond the control room, with time and money-saving operational features built with the latest technology.



Technology Investment Programme

We continue to invest in the latest technology and services that will position the Company for further **growth and leadership** in each market.



Cloud Services

Enable deployment in numerous platform configurations.



Mobile

Streamline task management extending beyond the control room for workforce empowerment.



AI and Analytics

Deliver AI technology natively and with third-party AI tools, including video forensic search.



Subscription Model and SaaS

Adopt a subscription model and SaaS to shape the future of Synergy's procurement and deployment.



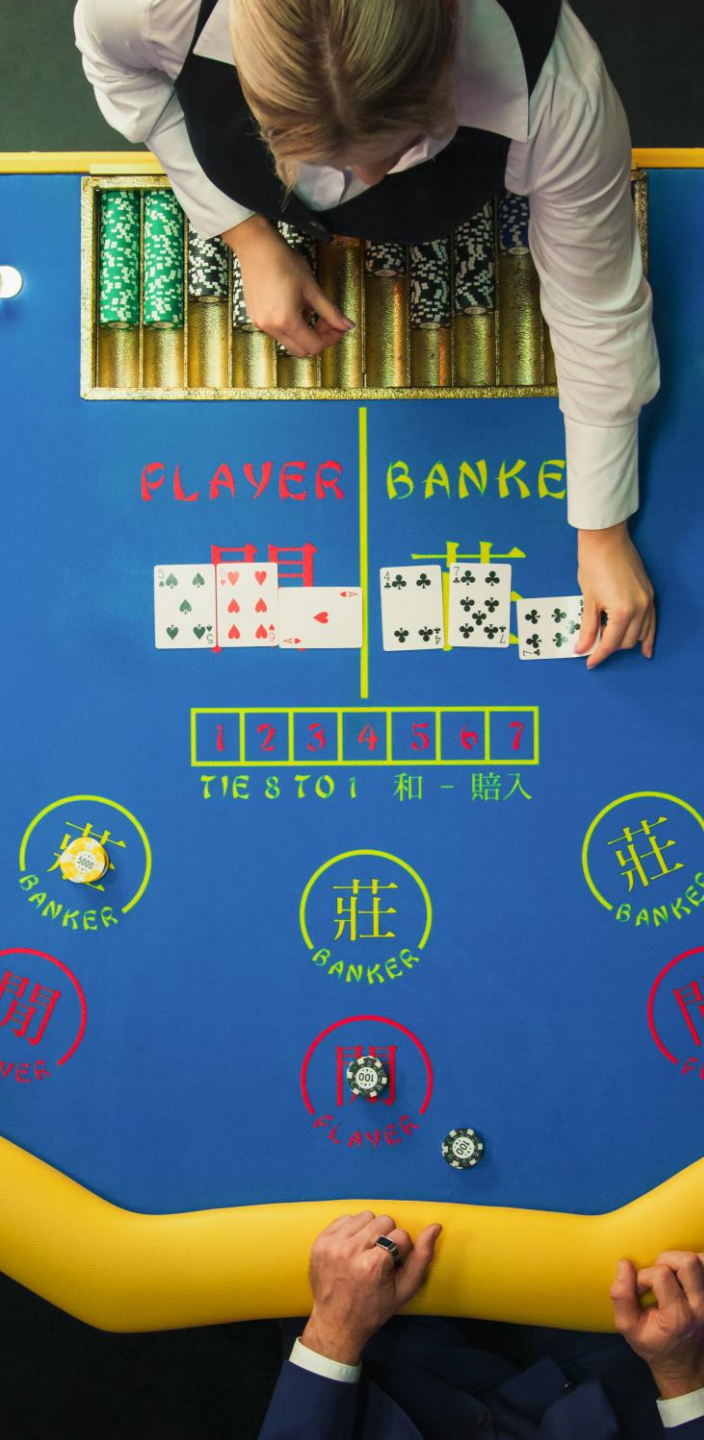
Camera Performance

Advance our camera ranges, integrating 4K, radiometrics, AI and analytics in Synergy.



Enhanced Web Features

Ensure flexible access for remote working, on-location incident management, and seamless evidence sharing.



Market Opportunities



Gaming

- Huge opportunities across casino resorts worldwide.
- Well-positioned to benefit from regulatory changes.



Oil & Gas

- Poised for sustained growth due to the global energy demand.
- Our devices address an escalating need for remote monitoring, anomaly detection, and hazard identification.



Public Space

- Consistent demand for advanced surveillance solutions to prevent and respond to security incidents.
- Suitable for universities, healthcare, stadiums and venues, retail, tourist attractions and heritage sites.



Transport

- Heightened focus on passenger safety fueling demand for the latest surveillance solutions.
- Our solutions meet the needs of transport operators in the future.



Critical Infrastructure

- Solutions needed to safeguard essential services and vital national assets.
- Extensive experience in protecting these facilities, positioning us for future project wins.

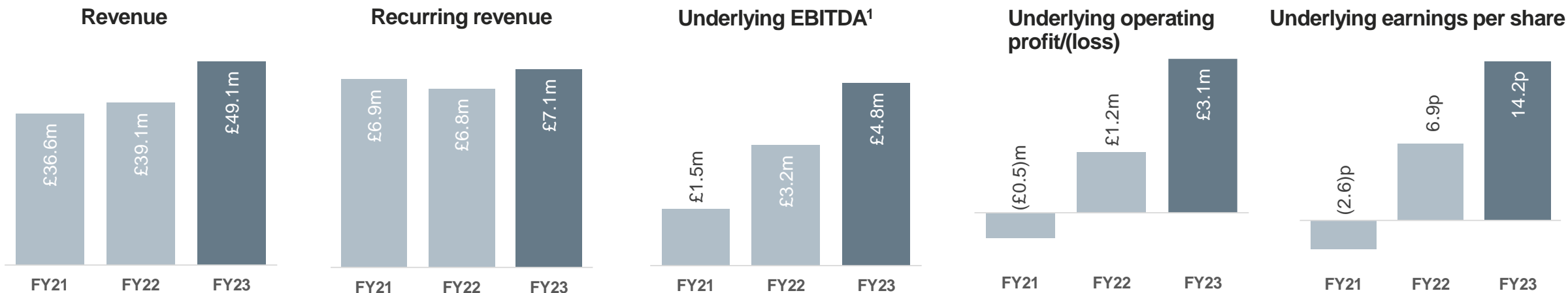


Our strategy remains to **develop and capitalise** on market leading positions

Our goal is to solidify our position as a leading security and surveillance technology provider by employing a comprehensive strategy designed to extend our market reach and drive sustainable growth.

- Leveraging sector expertise and target markets
- Driving sales through partnerships
- Investing in cutting edge technology
- Strengthening relationships and expanding revenue streams
- Increasing contracted recurring revenue
- Recruiting and retaining talent

Income Statement



£000 underlying*	FY 23	FY 22	Change
Revenue	49,128	39,116	26%
Gross profit	20,007	16,630	20%
%	40.7%	42.5%	(1.8) ppts
Operating profit	3,056	1,152	165%
%	6.2%	2.9%	3.3 ppts
Profit before tax	2,955	1,019	190%
EPS	14.2p	6.9p	7.3p

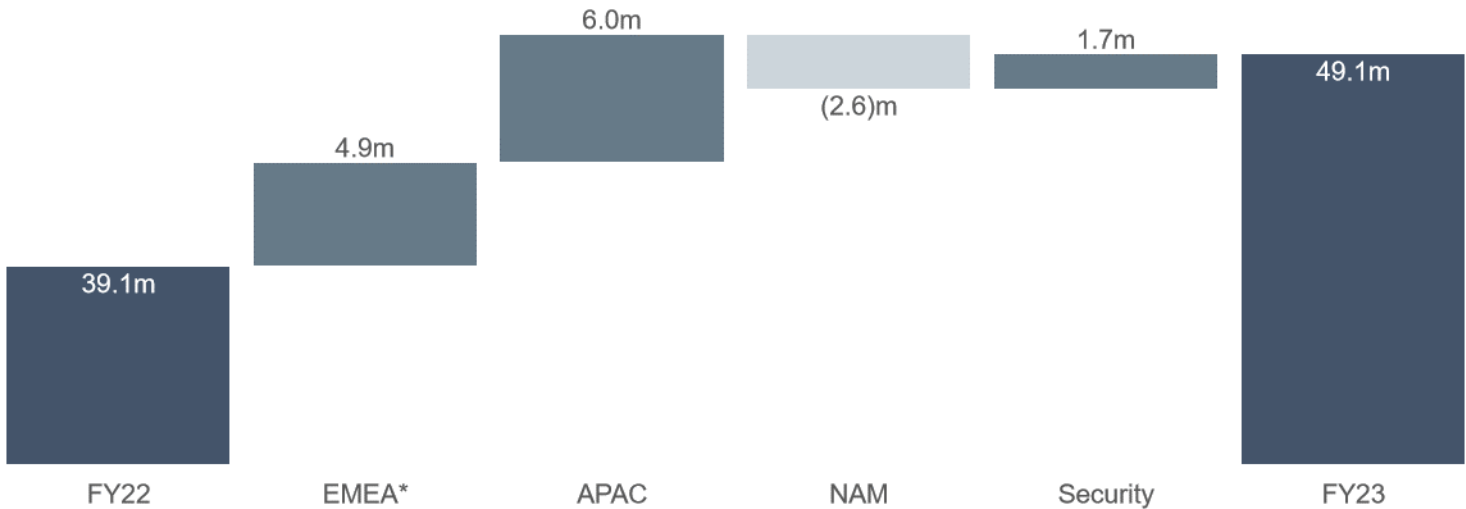
- Strong revenue growth, particularly in Systems where revenue increased by 32% year-on-year
- Gross margin down 1.8 ppts due to business mix – increased oil & gas revenues
- Operating expenses up 9.5% due to inflationary increases across the cost base and new investment
- Operating profit up significantly to £3.1m; ahead of previous market expectations
- EPS up 7.3p to 14.2p

*All income statement figures set out in this presentation reflect underlying results and continuing operations, unless otherwise stated.

¹Underlying EBITDA represents profit before finance costs, tax, depreciation, amortisation and non-underlying items.

Revenue Bridge

Revenue Bridge by Region (£)



*excludes intercompany sales

FY23 revenue	£13.9m	£12.0m	£5.0m	£18.3m	£49.1m
	Systems			Security	Total

- EMEA: revenues up over 50%, driven predominantly by oil & gas
- Asia Pacific: revenues have doubled year-on-year – good progress in both oil & gas and gaming
- North America: disappointing performance, although picked up in H2 2023
- Security: steady progress, with revenue growth for fourth consecutive half

Revenue by Sector

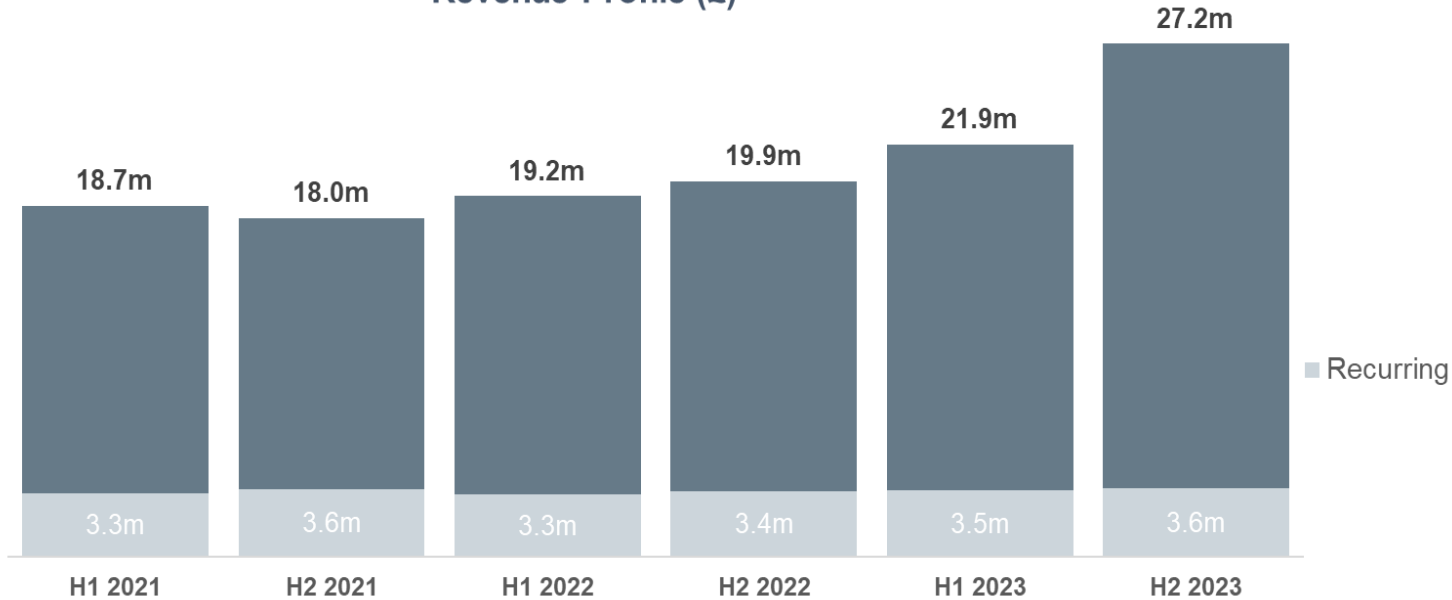


*Public Space, Transport and Infrastructure

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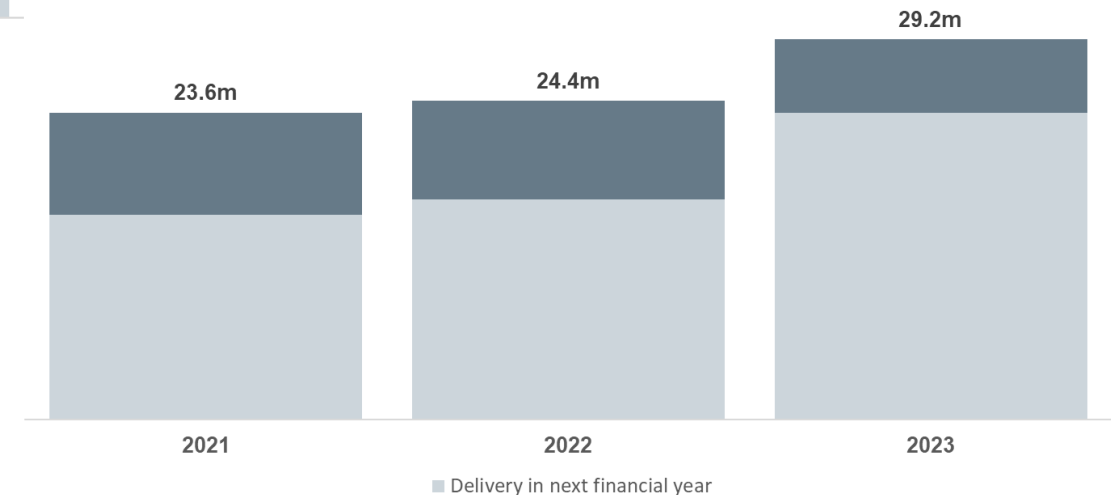
Revenue & Order Book Profile

Revenue Profile (£)



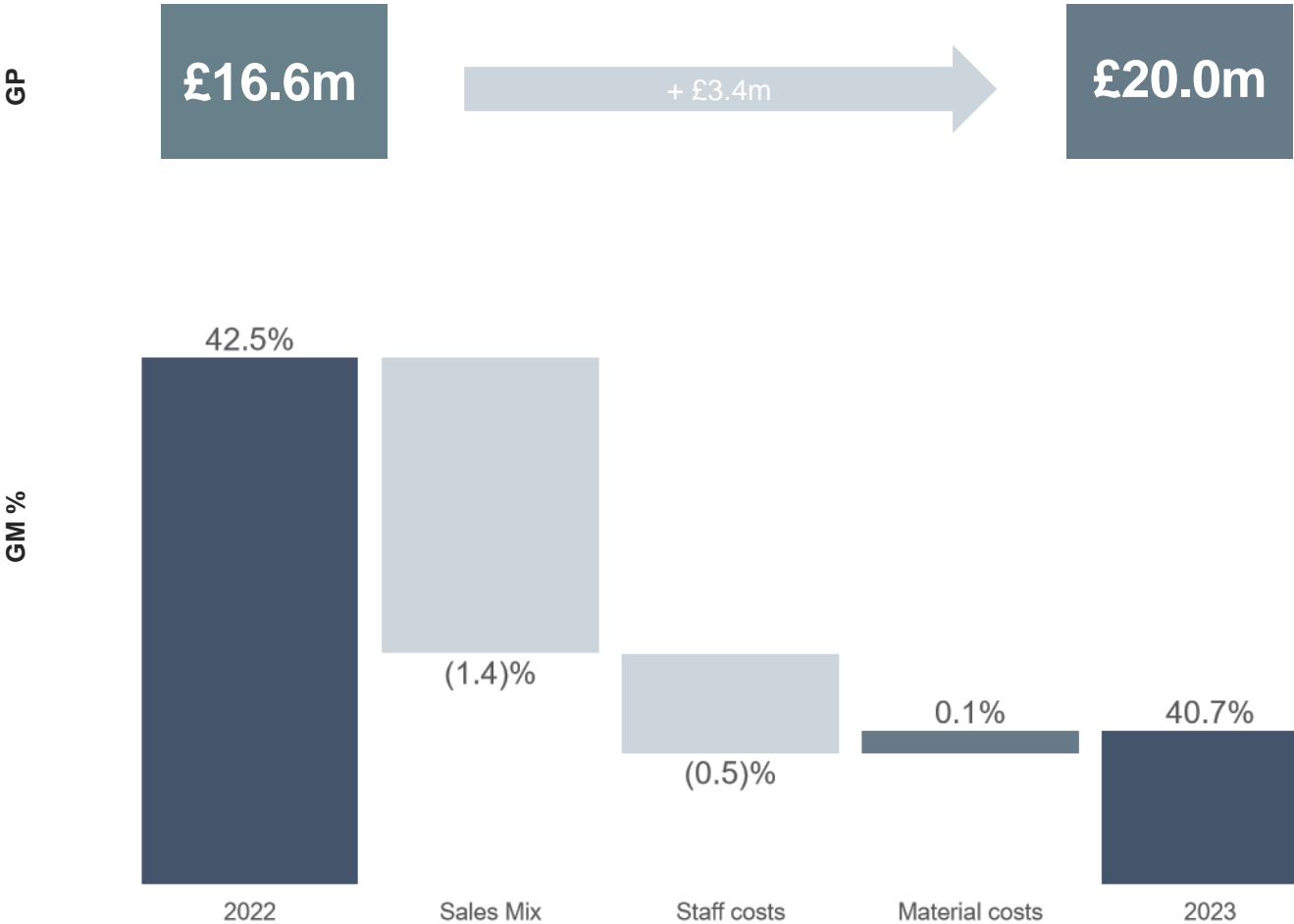
- Revenue and profits in FY23 weighted to second half
- Strong order book with c80% expected to be delivered in FY24

Order Book (£)



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Gross Profit and Margin

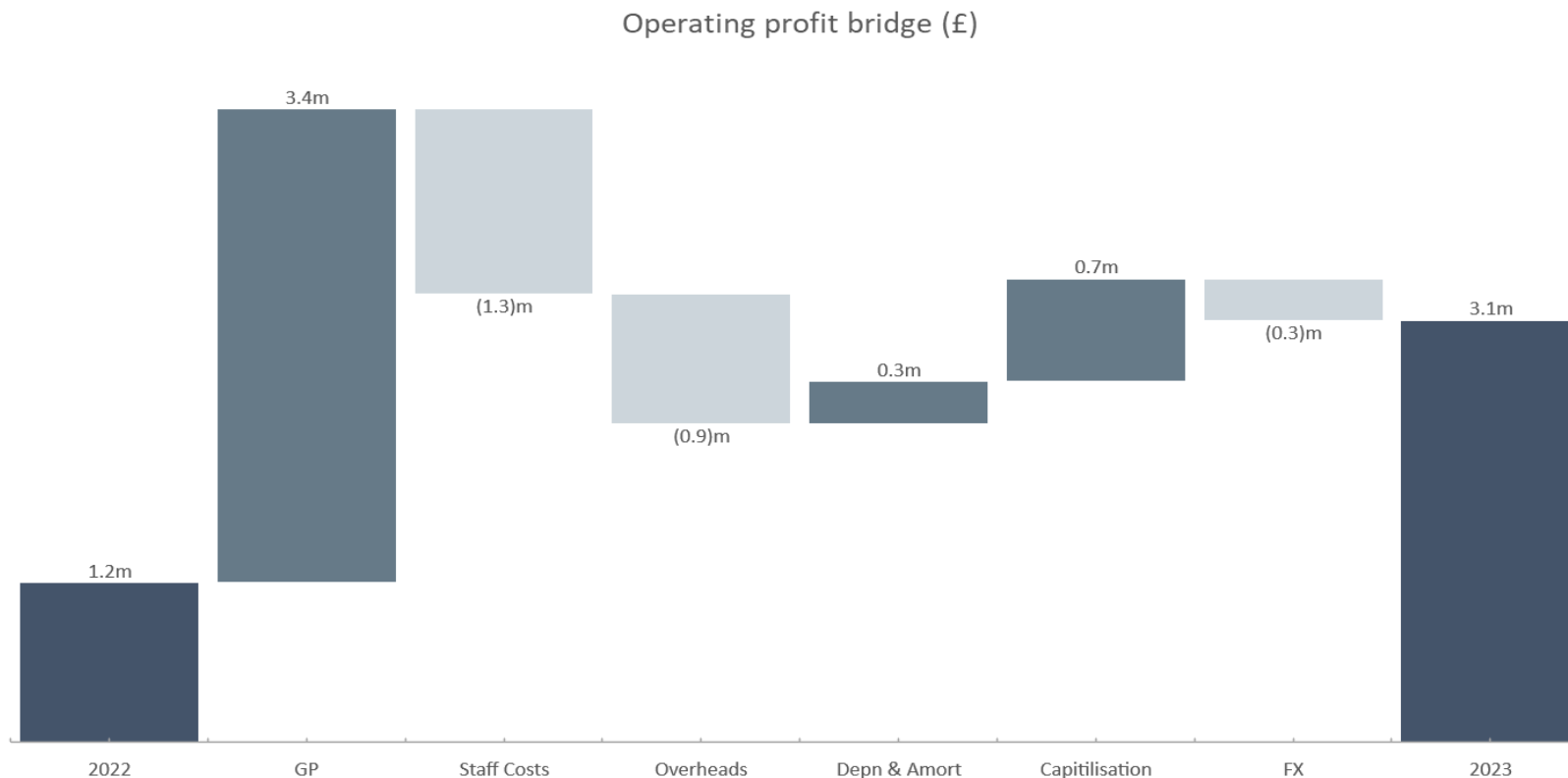


	FY 23	FY 22	FY 21
Systems	46.4%	50.6%	46.4%
Security	28.3%	26.4%	25.2%
Total	40.7%	42.5%	38.6%

- Gross profit increase of £3.4m predominantly due to growth in the Systems division
- Reduction in gross margin by 1.8 ppts to more normalised levels:
 - Increased oil & gas activity
 - Hardware vs software
 - Additional production operatives
 - Pay increases – lag before costs are passed on

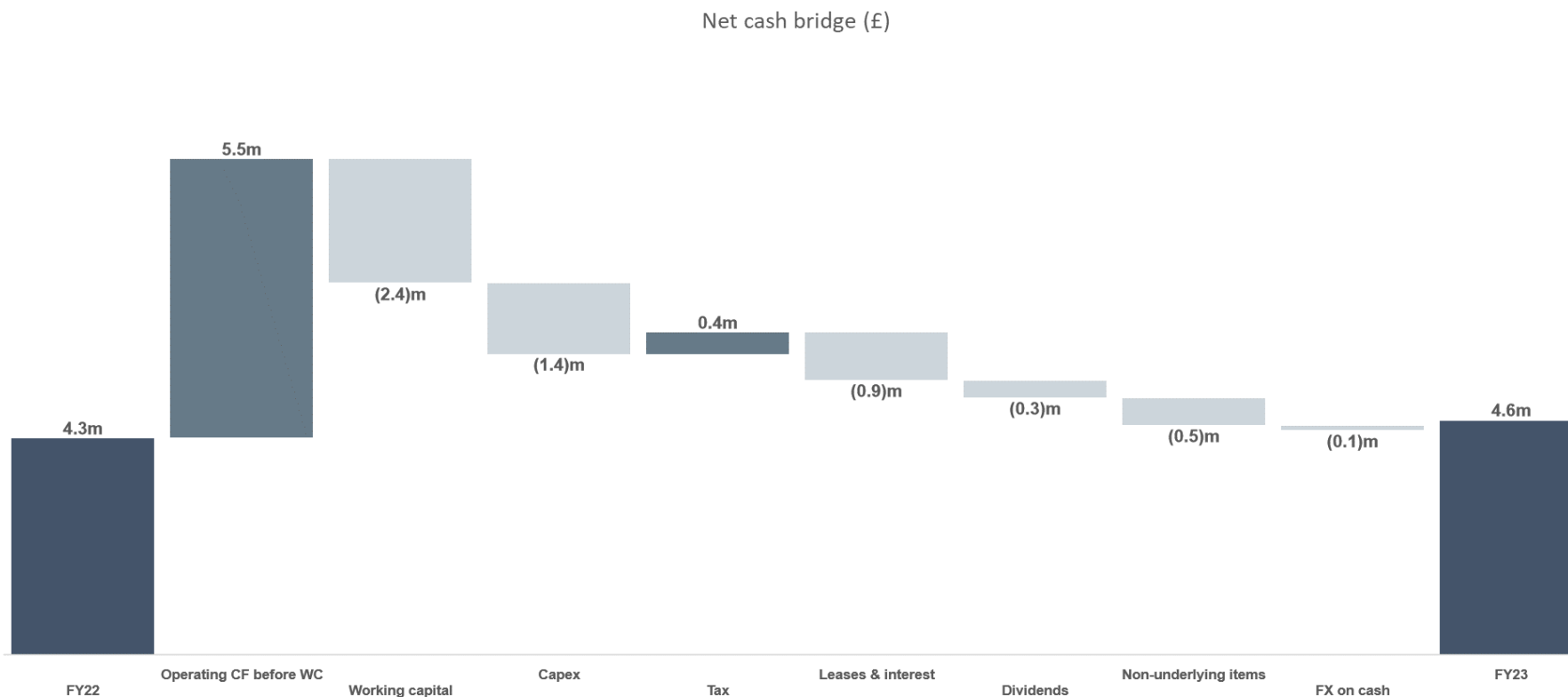
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Operating Profit



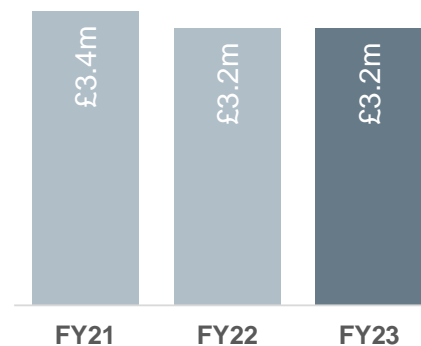
- Inflationary increases have impacted the cost base – people, utilities, professional services
- Staff costs: Pay increases, commissions and bonus increases, new investment
- Overheads: Provisions for uncertainties, impact of inflation across cost base, in particular, utilities, professional services, increased travel
- Capitalisation: Increased in line with increased investment in technology
- FX: Loss on translation of foreign currency denominated assets and liabilities

Net Cash

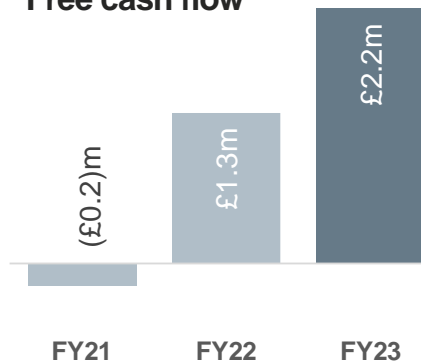


- Strong cash generation from operating activities
- Working capital outflow from increased debtors and inventories – significant impact of oil & gas increased activity
- Increase in capex due to capitalised development costs; capex lower than depreciation & amortisation of £1.8m
- Cash tax from R&D credit
- Free cash inflow £2.2m (2022: £1.3m)
- Payment in relation to non-underlying items – settlement of legal matters and closure of DB pension scheme
- Robust balance sheet – net assets of £38.9m (2022: £37.0m)

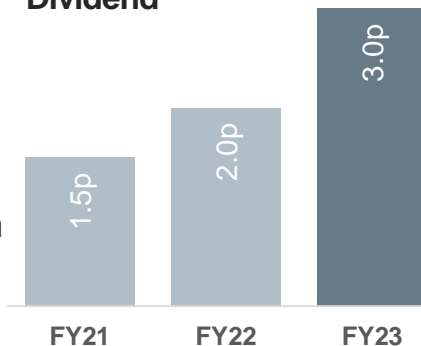
Technology spend



Free cash flow



Dividend





Summary and Outlook

- ✓ Performance and progress in the year provides solid basis for further growth
- ✓ Continued investment in technology and AI capabilities
- ✓ Continued sales momentum and focus on new business development
- ✓ Robust order book and strong pipeline of opportunities

Delivering Stakeholder Value

- Dividend-paying UK-based technology company with global operations
- Trusted brand with strategic partnerships and sales channels
- Continued customer-driven innovation, incorporating AI capabilities
- Tailored solutions for specialist markets with high barriers to entry
- Poised to deliver growth in strong and growing markets



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