

Quick Facts

REPORT ABOUT:

Invenias

PEER GROUP:

Accounting & Enterprise Software

SECTOR: Software

MEGABUYTE COVERAGE

LEVEL:

Full Coverage

HQ: United Kingdom

Ownership: Private Equity

Co Size: Micro

Revenue: £4.9m

EBIT: -£1.2m

Company Brief | 10 MAY 2017

Invenias enters its next chapter

Provider of Cloud-based executive search and strategic hiring solutions Invenias grew revenues by 31% to £4.9m in calendar 2016, surpassing those of competitor Dillistone Systems for the first time. Growth had slowed on the prior year but partly reflected the launch of Version 9 of its software at the tail end of the period. After a speedy migration of its existing customer base, Invenias has made a positive start to 2017 and looks set to reach profitability by the year-end. We met with CFO Andy Warren to discuss the 2016 performance, outlook and strategy.

Company overview

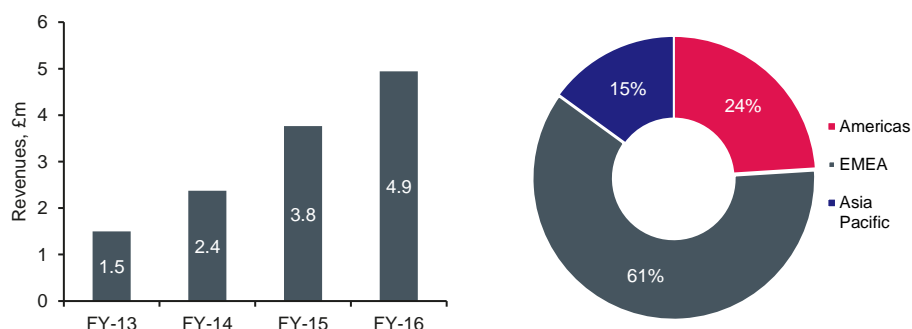
MMC Ventures-backed Invenias provides a Cloud-based platform for executive search and strategic hiring to executive search firms and in-house strategic talent teams. Since it was founded in 2005, Invenias has built a loyal customer base of over 800 clients and 6000 users, with an increasing international mix. To support its global customer base and plans for expansion, Invenias has offices in Reading, San Francisco, New York, Sydney, Singapore and Kuala Lumpur, along with Cloud data centres across the US, Europe and Asia. The company typically sells its solutions on one, two or three-year contracts, based on per seat usage.

Invenias raised an initial \$1.5m of external funding from MMC Ventures and Chairman Mark Farmer in 2013, which was followed up by an additional \$2.0m from MMC in 2014. A further \$2.8m was raised in 2016, including \$1.1m of new equity from MMC and \$1.7m of debt from Clydesdale and Yorkshire banks.

Financial performance

Management updated us on the company's performance for calendar 2016, which included a 31% increase in revenues to £4.9m, driven by the addition of 192 clients through the year. This marked a slowdown in growth on the prior year but was partly due to Invenias gearing up for the launch of Version 9 of its core software, which didn't occur until November. Moreover, recurring revenues grew ahead of the top line, up 37% to £4.6m, to represent 94% of the total. Meanwhile, after increasing in the prior year, operating losses narrowed slightly from £1.3m to £1.2m, despite Invenias making notable investments in the new product and expansion in the US. Geographically, 2016 revenues were split 61% EMEA, 24% Americas and 15% Asia Pacific.

FIGURE 1: Invenias' financial performance and revenue breakdown (Dec year-end)



Source: Megabyte, Company accounts

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Strategy & outlook

As highlighted above, 2016 saw the launch of Version 9 of Invenias' software in November and it has since migrated all but a handful of clients. Impressively, 98% of clients were transferred within a six-week period. Some new features of the release include proximity search and more advanced analytics and reporting, while Client and Candidate apps, first released with Version 8, were also extended.

While the global executive search firm market will remain key to Invenias' growth going forward, it is increasingly being approached by people who have moved from executive search firms to work within in-house talent teams. Many of these organisations will have invested in modern HR solutions, such as Workday; however, these do not have the required functionality for effective executive search. Therefore, this changing market dynamic can only go further to increase the market opportunity for Invenias and its best of breed offering.

Another element of Invenias' growth strategy revolves around maximising the revenue opportunity that comes with joining up the value chain within the executive search and in-house talent management markets. Its current Client and Candidate applications form part of this brief. Furthermore, there is also an opportunity to work with network groups made up of multiple executive search firms that often come together to leverage the value of shared data.

Financially, 2017 is set to be an important year for the business, as it anticipates reaching profitability by the third or fourth quarter of the year. The order book certainly supports Invenias' ambitions with first quarter sales numbers being the strongest to date.

Megabyte view

There is no hiding the fact that 2016 was a more challenging year for Invenias with a key product launch occurring towards the end of the year and political decisions impacting customer spending in what is a cyclical end-market. That said, Invenias' 192 new client wins through the year was almost double the 100 added by Dillistone's executive search Systems division and its FileFinder product. Meanwhile, Invenias' revenues of £4.95m surpassed those of Dillistone Systems (£4.86m) for the first time.

Furthermore, Invenias looks to have kicked off the current year on the front foot, posting a record first quarter, as it places its sights on reaching profitability by the year end. Undoubtedly, this will mark an important inflexion point for the business with it reaching a stage where current future growth forecasts can be self-funded. Equally, depending on preferences, it will also allow for greater investment flexibility, meaning that Invenias could, in reality, look to steepen its growth trajectory. Either way, we see 2017 as the beginning of the next chapter for Invenias from a financial, product and market leadership perspective.

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