Movers & Shakers - ASX Small & Micro Cap Industrials

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Australian Small and Micro Cap Industrials continued to see significant news, as improved earnings, contracts, and global expansion continued to be the key themes for April. Commodities continued to play a key role as well during the quarter, as did fintech and other industrial focused companies.

Decmil Group Limited (ASX: DCG)

DCG shares rallied in April, as the Company provided a financial update, including projecting a strong pipeline of $205 million. DCG primarily deals in four sectors: infrastructure, resources, construction, and energy. All four sectors have been witnessing strong demand both locally and globally, which is leading to significant contract flow for DCG. Boom in exports, especially in commodities, has benefited DCG and this is expected to continue for the foreseeable future.

The Company also provided an update on its YTD revenue, which stood at $385 million, and projected that FY23 revenue will grow by 30% to $470-$500 million. The Company is in the final negotiation stage of a further $300 million in contracts and management expects that these contracts will be finalised soon. Shares could see a further rally should results continue to come in strong through the fiscal year.

Rob Heale CEO - "Importantly, we are now translating this strong revenue into enhanced earnings and profitability. We fully expect Decmil's EBITDA will continue to improve now that legacy disputes have been settled; loss-making projects have been completed; we are focused on profitable contracts over revenue; and a robust tender pipeline is available to capitalise on our near-term and medium-term horizon."

EML Payments Limited (ASX: EML)

EML shares were on the move in April, as the Company announced new leadership to replace Ms. Emma Shand as CEO. The incoming interim CEO, Kevin Murphy, formerly managing director at Bank of Ireland's card division, is expected to bring substantial experience, especially in the UK and EU markets in which EML is expecting to advance its payment solutions.

EML has significant potential as it provides a range of fintech solutions, which includes digital wallets, card funding, and FX solutions. EML also provides open banking solutions through its Nuapay product. Overall, the fintech industry is witnessing significant changes as customers look to alternative solutions to traditional banking. EML provides a range of solutions including everything from neobanking and crypto integration services, B2B payments, insurance claims, buy now pay later solutions, and solutions for corporate and government clients.

The wide range of fintech backend and frontend solutions by the Company means the Company has significant potential once it overcomes regulatory issues. EML payments could see significant growth from its digital wallets and open banking solutions as EML completes its remediation program and enters both the UK and EU markets. Although, regulators in Ireland have put a 0% cap on growth for the 12-months ending 31 March 2024 and the Company has also further agreed to stop onboarding clients in the UK until concerns raised by UK's Financial Conduct Authority are met. The Company confirmed its FY23 guidance of revenue of AUD$235-$245 million and underlying EBITDA of AUD$26-$34 million.

Helloworld Travel Limited (ASX: HLO)

HLO shares have been rallying since the start of the year on the back of strong results. The stock continued to rally through April as results for the latest quarter continued to be positive, and forecasts remained strong. Online Travel Agencies continue to benefit from the theme of travel and reopening, with global travel numbers (1 billion in 2022) continuing to remain below levels seen in 2019 (1.5 billion). Now with travellers increasingly trying to make up for lost time, 2023 continues to see strong demand on the back of 2022 where travel numbers jumped significantly. Travel has also benefited from higher spending, and despite the volume being below 2019 levels, the total spending on travel continues to outpace 2019, meaning higher value transactions for OTA's. Adding to the positives, HLO's inbound travel should continue to benefit from China reopening, as inbound travel increases to Australia and New Zealand.

Financial results continued to assure investors, who continued to invest in the stock, during the latest quarter as revenue surged to $73 million, up 151% on a total transaction value of $1.2 billion, which increased by 209%. Meanwhile, EBITDA came in at $12.6 million at a margin of 17.6%. After-tax profit came in at $1.6 million. The low profitability can be attributed to depreciation costs, which continue to remain high.

Cettire Limited (ASX: CTT)

CTT shares continued their positive momentum in April with the share price up 192.4% over the 12 months to 30 April 2023. The Company has seen significant gross revenue growth, with the Company reporting gross revenue of $242 million for the 1H'FY23, up 57% on the pcp, and sales revenue up 57%, to $187.7 million. The average customer order value also increased to $759, up 7% YoY. The Company posted a positive EBITDA of $16.7 million with a margin of 9%. The Company has been increasingly benefitting from global expansion, and the localisation strategy, with the introduction of local languages and improved local targeting. The investments are clearly paying off with the number of customers surging to 313,00 in the 1H'FY23.

CTT signed an agreement with Zegna in December 2022, which should be quite lucrative, with Zegna being a well-known global luxury attire brand. The Company should continue to see strong demand in the financial year, as luxury demand is relatively robust, especially in China, where the site has a significant footprint. In fact, sales could increase and revenue could grow quicker during the year as China re-opens, therefore, the prospects for the Company remain strong for the year.

Lycopodium Limited (ASX: LYL)

LYL has been rallying through recent months as the commodities sector continues to see strong demand. With operations across the globe, but with a focus on Africa and Australia, LYL has been witnessing significant inflow of new projects, especially related to gold and other mining. As of the last few quarters the Company has witnessed significant increase in new projects including projects in Burkina Faso, Botswana, Namibia, Ghana, Cote d'Ivoire, and Western Australia.

Beyond precious metals, the Company also provides significant engineering support to the battery industry. Lithium mining has seen significant demand increases in recent times, which means that the increasing momentum from these industries has been a positive for the Company, which has been reflected in the share price. The Company updated guidance with the Company expecting to bring in $320 million for the fiscal year, owing to lithium projects in Kathleen Valley for Liontown Resources combined with the Talison processing plant. The Company also expects to see extensive revenue from gold projects in Burkina Fasoe and Ghana.

Structural Monitoring System Plc (ASX: SMN)

SMN provides monitoring technology to ensure aircraft structural integrity. The stock continued to rally on the back of news that the Company had completed the installation of its CVM sensor kits on Delta aircraft at the AAR facility in Oklahoma in the US. The installation took place in front of representatives from Delta Airlines, Boeing, the Federal Aviation Administration (FAA) and AEM staff ahead of the FAA's consideration of the relevant service bulletin. The installation follows the successful fitting of CVM sensor kits on 21 Delta Aircraft more than 12 months ago. Delta Airlines could bring in significant revenue for the Company should the sensor kits be successful, leading to further contracts for the Company.

Beyond Delta Airlines, a successful integration of the sensor kits means that there is a significant global market from which the Company could benefit. The contract for the 21 Delta aircrafts comes in around $7 million. Delta is progressing to install the sensors on the remainder of their relevant fleet of 71 aircraft at a rate of approximately four aircraft per quarter.

The Chairman, Ross Love, commented - "Our target is to penetrate 75%-80% of the relevant fleets which are young enough and operated by airlines with sufficient scale to engage in the program over a period of 5 years – equating to approximately 500 installations at a rate of 100 installations per year at full scale."

In it's March quarterly update, the Company reported gross revenue for the year to date of $16.27 million, up 47% on the pcp, with forward orders for the June quarter currently at $4.81 million, indicating continued growth in the months ahead.

Orcoda Limited (ASX: ODA)

ODA shares were rallying late in the month as the Company's financials came in better than expected with significantly positive results for the 3Q'FY23. Customer receipts increased by 28% to $16.6 million, meanwhile total income increased by 50% to $5.7 million and free cash flow increased by 240% to $1 million.

The Company signed multiple contracts, including work on the Yurika transmission line, a SaaS contract to manage workforce logistics and a local government contract for fleet management vis-a-vis, Telstra. The Company continues to develop and invest in a range of management-focused software, including car management software. The Company continues to be a leader in logistics, parcels, goods, and mobility. It also has a significant interest in workforce management and infrastructure services.

Megaport Limited (ASX: MP1)

MP1 shares finished the month up 36.7%, with shares jumping sharply after the Company announced its quarterly financial results and provided EBITDA guidance for FY23 and FY24. Management has forecasted an EBITDA of $16-$18 million, in FY23 and $41-$46 million in FY24. This presents a significant growth opportunity for the stock if the Company achieves its targets.

The Company's quarterly results came in strong in 3Q'FY23 with the Company witnessing a growth of customers from 39 to 72 quarter-on-quarter. Meanwhile, YoY customers declined from 256 to 168. Despite the YoY decline, revenue increased 38% YoY from $79 million to $108 million. The Company has indicated that the sales slowdown, especially in total services, is directly related to issues with its sales teams.

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