

29th November 2023

Latent View Analytics – BUY

CMP : Rs. 479.0
Target Price : Rs. 579.0
Upside : 21%+
Stop Loss : Rs. 414.0 (Closing basis)

Investment Thesis

- Latent View, a pure-play global data analytics firm having strong hold in its end-to-end data analytics solutions, enables companies to predict new revenue streams, anticipate product trends & popularity, improve customer retention rates and optimize investment decisions. It derives around 95% of the revenue from the USA and provides services to 30+ Fortune 500 companies engaged across sectors like Financial Services, Consumer & Retail, Technology, Industrials, Media & Entertainment, etc. Its clients include Adobe, Uber and a 24/7 retail chain among others. In Q1FY20, Mr. Rajan Sethuraman took up responsibility of CEO and aligned as per industries and ramped up front-end and domain efforts.
- Latent View designs and engineer result-oriented analytics solutions for clients across industries that enable them to operate more efficiently by predicting outcomes, which fuel digital transformation and sustainability. Its expertise in business analytics includes analytics in customer profiling, targeted marketing, supply chain management, finance & risk management and HR functions. Latent View provides services on the back of expertise and understanding which develop various AI/ML algorithms to power digital analytics implementations.
- Latent View has a strong focus on innovation, and it works closely with its clients to develop customized solutions that meet their specific needs. It also has a deep understanding of the functional areas of business, which allows it to provide insights that can help clients improve their performance. LatentView has long-lasting relations with many of its clients and has not seen slippages in clients, who have been with them for over two years.
- Latent View has a strong presence in the US and generates ~95% of the revenue from there. However, it is looking to expand its presence in Europe and APAC region. It has already hired business head for Europe and sales & development team. Within Europe, it is focused on the UK, Germany and the Netherlands. It already has good clintale in Europe and it has good traction in the order pipeline there and guided for 5-8% revenue contribution in FY24.
- Latent View had industry leading EBITDA margin which was over 28% till Q3FY23. In the last 3 quarters, the margin was lower in the range of 19-21% as the company is heavily investing into its business head and sales & development team to expand in the Europe. Management has guided for 25-27% EBITDA margin for FY25. Latent view will always command higher margins as it solves very complex problems which attracts higher pricing.

Financials

- Latent View's revenue and PAT grew by CAGR of 18.0% and 18.5%, respectively during FY18-23 as Mr. Rajan Sethuraman took up responsibility of CEO in Q1FY20 and aligned as per industries and ramped up front-end and domain efforts.

Consol. (Rs.Mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	3,059	4,078	5,388	6,250	7,375
EBITDA	1,046	1,220	1,452	1,481	1,836
EBITDA Margin (%)	34.2%	29.9%	26.9%	23.7%	24.9%
PAT	915	1,295	1,554	1,585	1,826
EPS (Rs.)	4.5	6.3	7.6	7.7	8.9
P/E (x)	107.3	75.8	63.1	61.9	53.7
RoE (%)	20.1%	12.6%	12.9%	12.0%	12.6%

Stock Data

Market Cap (Rs. Mn)	98,950
Market Cap (\$ Mn)	1191.5
Shares O/S (in Mn)	204.9
Avg. Volume (3 month)	1,144,000
52-Week Range (Rs.)	489.00 / 310.45

Shareholding Pattern

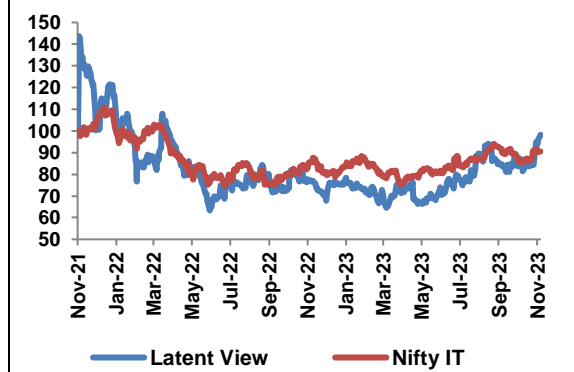
Promoters	65.74%
FII's	2.57%
Institutions	1.58%
Others (incl. body corporate)	30.11%

Key Ratios

Div Yield	0.0%
TTM PE	63.9x
ROE	12.8%
TTM EPS (Rs.)	7.5/-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	12.5%	14.4%	28.1%
NIFTY IT	5.0%	4.1%	5.8%



- Latent View has reported 5.4% QoQ and 17.6% YoY, most of the growth has come from additional work that it got from its existing clients. However, management believe that Q2FY24 continued to remain little muted in comparison to what the scenario was a year back in Q2FY23 as the macroeconomic scenario continues to remain a little sluggish.
- EBITDA margin at 19.8%, growth of 77bps QoQ. It is still on investment mode in sales and business development teams. Management said that most of the investments is already done and now focus is on driving strong execution and growth. It will continue to execute on initiatives that have already identified.
- Guided to continue to expand sales team, added two senior people in the US in Q2FY24, specifically on the CPG space and both of them having lot of experience as well as the relationships within the industry.

Key Business Highlights

- Latent View provides analytics services such as data and analytics consulting, business analytics & insights, advanced predictive analytics, data engineering, and digital solutions. The company provides services to blue-chip companies in Technology, BFSI, CPG & Retail, Industrials, and other industry domains.
- Latent View provides end-to-end data analytics solutions with wide-ranging capabilities like business consulting services, data engineering, business analytics, and digital solutions across Marketing analytics, Customer analytics, Supply chain analytics, HR, finance and risk analytics.
- Latent View provides services to 4 key industries: Technology (69.2% revenue), Industrial (13.6% revenue), Consumer & Retail (9.7% revenue) and Financial Services (7.5% revenue).
- Latent View has partnered with Amazon Web Services, Google Cloud, Tableau, Qlik, Power BI, Twilio segment, Snowflake, Singlestore, Adobe.

Valuation

Latent View is now more focused on BFSI vertical in terms of investments and has started adding logos. Its partnership with IBM is helping it gain exposure to Indian BFSI companies. Latent View is focusing on payment strategy, risk management and data management-related offerings. Within payments, the focus is on merchants, gateways, acquirers (merchants/PoS) and issuers (cards) including P2P and BNPL players across operational, risk and marketing analytics.

Latent View has cash-in-cash equivalents, including the IPO money, stood at Rs.1,160Cr and it is looking for acquire some small sized companies, which can add capabilities or broaden its clientele base. It has identified a few targets from Europe where it plans to broaden its revenue contribution. It has also identified data engineering, fraud, risk and supply-chain analytics as focus areas for acquisitions.

With a pure-play global data analytics firm having strong hold in its end-to-end data analytics solutions, help its client to operate more efficiently by predicting outcomes and expanding its exposure in Europe, we are assigning BUY rating to Latent View Analytics Ltd. (Latent View) and value at 65.0x FY25E EPS of Rs.8.90 to arrive at target price of Rs.579.00, an upside of ~21.0%+.

Risk & Concern

- Latent View has major exposure in the US and Europe market, which is currently going through recessionary phase. Any further recessionary pressure or postponement of discretionary spend may have negative impact on future growth of Latent View.
- Latent View has high exposure to one vertical (Technology), one region (the US) and one service line (Analytics), which may lead to greater volatility.
- Latent View's major part of the revenue came from the US and Europe, which make Latent View exposed to currency fluctuations.

Graphs & Charts

Figure 1: Net Sales Trend

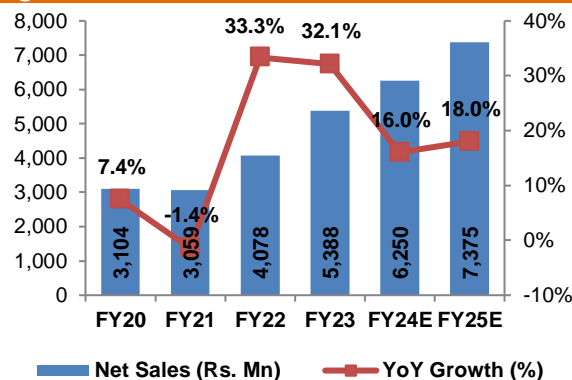


Figure 2: EBITDA & EBITDA Margin Trend

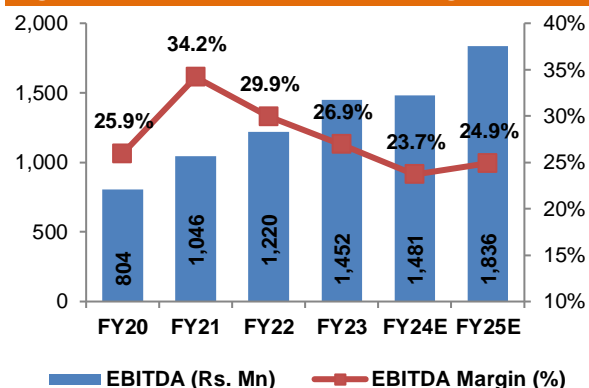


Figure 3: PAT Trend

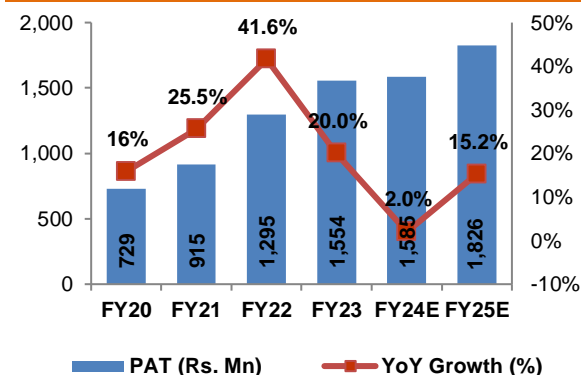
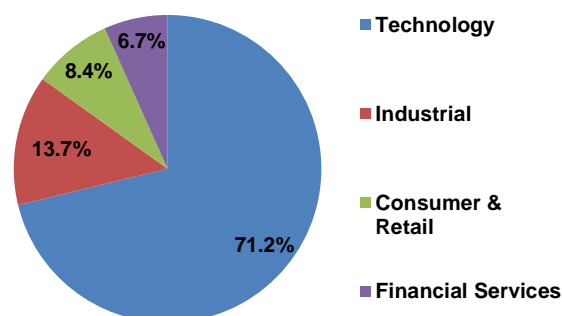


Figure 4: Industry-wise Offering (Q2FY24)



Name
Rajesh Sinha

Designation
Sr. Research Analyst

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M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate. Walbhat Road, Goregaon (E), Mumbai – 400063
Web site: <https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

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