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Tungsten Corporation: Has it turned the corner?

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Tungsten Corporation PLC (LSE: TUNG) is a UK-based digital e-invoicing company. In essence, it facilitates the submission and processing of trade invoices globally between trading companies.

That contrasts with the traditional system of paper-based invoices and purchase orders, which is considered to be more expensive and prone to failure.

The company has been reorganising itself operationally to become more efficient so it can reduce costs and move into profitability. It has not reaped the rewards so far though the signs are it has made good progress and is showing signs of turning the corner to sustainable profitability, possibly in 2019.

Its strategy has been to focus on its core business, and it is achieving that: invoice volume, invoice value; number of customers; and revenue have all increased yearly since 2016.

A key objective will be to keep a lid on operating expenses and exceptional costs, and this seems more likely now it is at the end of its turnaround period. Gross profit and gross margin have improved, as has EBITDA (though still negative).

It has broadened its product range to generate additional revenue and help retain customers. One new product is invoice financing, as distinct from processing invoices. Financing adds substantial risk of loss of capital, which needs to be closely monitored if the world economy falls into a slump, and because many companies are heavily indebted and present a high risk of credit default.

It has predicted £37.5m of revenue in 2019, an increase on the £33.7m in 2017 and earlier. Falling short will not be taken lightly by the equity market.

Mitigating cyber attacks is of paramount importance to Tungsten to ensure customer confidence in the security and availability of its products and services (cybersecurity and data protection). In addition, it runs a highly complex IT infrastructure that is undergoing development and so is at risk of failing, which would be critical to its ability to offer its services.

Overall, the company's clear strategy for the next 12 months may be summed up as follows:

- Focus on its core offering (e-invoice processing)
- Improve operational performance.
- Invoice financing product
- Diversify its product offering around invoice processing

Based on the above and my reading of the company's last published financials (at FYE 2018):

For: high revenue per share; no debt;

Against: negative operational cashflow; no profit; no EPS; no dividend; negative tangible assets; current ratio under 1x; massive negative RoE

Conclusion: If you believe Tungsten has put its past behind it and that it now has the infrastructure to propel it to profitability (and a corresponding rise in share price), then its losses can be overlooked. **BUY**

Disclosure:

I have no positions in any of the securities referenced in the contribution

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