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HD **Martin Jetpack seeks A\$25M in ASX listing to fund plans**

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Martin Jetpack seeks A\$25 **million** in ASX listing to fund commercialisation

By Suze Metherell

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Oct. 28 (BusinessDesk) - Martin Aircraft Co, which counts Jenny Morel's No 8 Ventures among its shareholders, is looking to raise A\$25 **million** in an ASX listing to fund plans which it says would make it the world's first commercial jetpack manufacturer.

The Christchurch-based **company** will issue between 20 **million** and 50 **million** shares at 50 Australian cents apiece with a minimum investment of 4,000 shares, according to offer documents lodged with the Australian Securities and Investment Commission. That would value the **company** at between A\$97.6 **million** and A\$112.6 **million**.

Ord Minnett and Axstra Capital are **lead** managers of the initial public offer. New Zealand investors are being offered shares at 55 NZ cents each, on an exchange rate of NZ\$1.10 per every A\$1. The offer opens on Nov. 4, closing on Nov. 28 with trading on the ASX expected from Dec. 8.

The funds raised will be used to help make the jetpack a commercial venture in 2016, and cover ongoing costs in the interim. Martin Aircraft expects to make its first jetpack delivery in the second quarter of 2016. It has a letter of intent from the US Department of Homeland Security for the provision of jetpacks and says it is negotiating another letter of intent with an undisclosed business which is in the "renewable crude **oil** production" sector.

"The IPO provides investors an opportunity to share in the development, production and commercialisation of the world's first practical jetpack, which already has interest for potential sales," chief executive Peter Coker said. "We are yet to begin marketing the Martin Jetpack but we already have a number of **sale** inquiries from companies and government agencies around the world which are expected to be among initial customers."

The jetpack can fly for 30 minutes with a 30 kilometre range at speeds of up to 74 km/hour, compared to its nearest competitor, with only 30 seconds of flight. Martin Aircraft wants to target the light helicopter market with its jetpack, dividing potential customers between government, for surveillance and remote **operations** uses; first responder, for emergency, security and rescue uses; and recreational, for tourism and flight school uses. It also plans to develop the Martin Skyhook, an unmanned jetpack for use in conflict and search and rescue **operations**.

The offer document doesn't provide an earnings forecast, with Martin Aircraft only expecting to earn revenue once jetpack deliveries are made. The **company** expects to sell its first responder jetpack for US\$200,000 plus customisation costs but flags the "price may vary greatly depending on the specification that each customer requires, and therefore it is very difficult to estimate the revenue at this early stage." It also intends to market a jetpack simulator for US\$125,000, with deliveries expected in the second quarter of next year.

The **company** lists competition as a key business risk, as well as issues in the supply of parts and gaining aviation licensing for the jetpack as possible impediments to its future profitability. The jetpack currently only has Civil Aviation Authority approval in New Zealand to fly.

In September the **company** raised \$6.5 **million** in an oversubscribed pre-IPO private placement, selling shares at 30 cents apiece to a mix of sophisticated and high net worth investors, taking its share register to 125, it said in a statement at the time. The offer was \$1.5 **million** more than the original \$5 **million** Martin Aircraft sought, of which \$1 **million** came from an Asia-based venture fund. The investors were largely Australian, with several from the US, New Zealand, and Asia.

At the time of its pre-IPO capital raise the **company** touted 40 pre-orders for jetpacks representing \$6 **million** in sales, with a further potential \$20 **million** worth of serious interest.

As at June 30, the **company**'s total assets were worth \$1.2 **million**, which rose to \$3.7 **million** post the pre-IPO capital raise. The **company** had an annual operating cash flow before financing loss of \$2.25 **million** at June 30, 2014, of which the majority was payment to suppliers and employees. After investment and financing activities it had a cashflow of \$2.53 **million**, of which the majority was proceeds from new shares.

The **company** currently has 161 shareholders who will see their 100 percent **stake** diluted to 77.8 percent if the offer is fully subscribed. No 8 Ventures, which is ultimately owned by Morel, her husband and former central bank governor Alan Bollard and family interests, will see its **stake** diluted to 22.8 percent from its current 29.3 percent. Founder Glenn Martin will see his **stake** reduced to 18.8 percent from 24.2 percent.

The offer documents also detail a failed joint venture with the 27th Research Institute of **China** Electronic Technology Corporation to manufacture and sell jetpacks in **China, Hong Kong** and Macau, to be called the Haiying Sino-New Zealand Special Aircraft Manufacture **Company**. No 27 paid US\$460,000 to set up the joint venture, but then backed out in 2013 and demanded repayment, which based on legal advice, Martin Jetpack refused. Since then No 27 has continued dissolving the joint venture but is no longer referencing the return of payment, and no provision for the return of those funds has been made in the financial statements.

(BusinessDesk)

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