Research as a Service Playbook

Great companies are built in tough times

Equity Research Paper

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Executive summary

COVID-19 has taken Australia officially into recession but the real impact is still being masked by the economic stimulus being pumped into industry by the Federal and state governments. We had a taste of the volatility that can be created by uncertainty. March 2020 delivered the most volatile month of trading for micro- to mid-cap companies since the 2008 Global Financial Crisis, with the S&P/ASX Emerging Companies Index down 31.5%, its greatest ever monthly decline. In the 70 days since, the S&P/ASX Emerging Companies Index has substantially outperforming the broader market lifting 40.04% this quarter to date.

The market rout together with the economic stand-still brought about by COVID-19 have put Australian companies and investors in uncharted waters. Past experience shows that investors fly to the top end of the market, access to capital becomes scarcer for smaller growth stock, research teams reduce head counts and as a result broker research coverage of small and microcap stocks diminishes along with **stock liquidity (which can cause "value voids").**

We entered this current environment with fewer than 530 of the 2,050 companies on the ASX with research coverage despite the ASX's annual investment in its smaller company equity research scheme. With the effects of the COVID-19 pandemic likely to lend more volatility to the financial markets and broader economy, we expect further diminution of smaller company sell side research, creating an even bigger void of information for retail and wholesale investors in a key part of the market. If we are correct in our expectation that broker research coverage will continue to diminish for smaller stocks, companies will need to find other ways to get their investment case heard. Investor briefings by investor relations and/or third parties is one avenue, but without earnings estimates, it does not allow for discovery. **Independent equities research has a role to play in that discovery process.**

Earnings estimates combined with consistent, relevant and timely research to dimension valuation and outlook for a company presents a powerful combination for investors looking for new opportunities. In this paper we examine RaaS's methodology for choosing the companies we seek to engage with for independent investment research, the team's experiences and learnings through past cycles and revisit the companies currently under coverage by RaaS and the specific features that we find compelling. Despite diversity of industry and sector, there are some overarching similarities between the companies we cover and, for the most part, they should continue to demonstrate operational resilience in the current challenging environment.

About RaaS

RaaS Advisory trading as Research as a Service was established in late 2016 by highly experienced and rated equity analysts to focus on the increasing void in smaller company research. Changing economics and regulations in stockbroking research has resulted in ever diminishing broker coverage of companies outside the ASX200 and NZX50 and weaker market conditions are likely to hasten this outcome.

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Widening void in smaller company research

The March 2020 market rout saw a broad, non-discriminatory sell off of microcap and small cap stocks, often on little or no share volume. This created in some cases "illusionary pricing", a bid/offer for a stock that bears no resemblance to the true value of the company. Exacerbating this position is the absence of sell-side research and earnings estimates on many of Australian listed companies. From our analysis of broker estimates on Thomson Reuters Refinitiv, of the 2,050 companies listed on the ASX, fewer than 530 have research coverage and of the 1,710 companies with a market capitalisation of less than $150m, 1,425 remain uncovered and largely undiscovered. Opportunities are presenting but if no research is available, how does one determine the value of a company? Research and earnings estimates provide discovery opportunities for investors and the absence of both, particularly in this climate, will potentially make it difficult for smaller companies to get noticed. We are of the view that this current environment will see a widening in the void for smaller company research, at a time when it is needed most.

In January 2018, we published a positioning paper, **The future of smaller company research**, in which we examined the hurdles small Australian listed companies would face in attracting broker research following the regulatory changes in the European Union, which we believed would ripple down to funds in Australia, and new regulations from the Australian Securities and Investments Commission requiring greater arms-length protocols between stockbrokers' corporate and research arms. We don't propose to revisit all our findings from that paper, but encourage readers to download it for context. Some of the key trends we identified worth highlighting:

- Brokers would be forced to price research separately from execution and corporate activity and therefore will explore new avenues for revenue generation from research including requiring companies to pay specifically for research;
- Commission pools would continue to decline, putting pressure on investment banks to reduce research teams;
- Asset managers, particularly those who need to be MiFID II compliant, would increase their in-house research capabilities;
- There would be more pressure from companies on stock exchanges to facilitate the provision of research;
- Smaller companies would look to sponsor their own research either through a broker or an independent research house but will need to look to the quality of their research provider to achieve the greatest attention from institutional investors.

If anything, the current environment will potentially hasten the demise of smaller company coverage at broking houses, putting pressure on exchanges, companies and investors to seek other means of discovery.

RaaS's methodology for selecting companies

RaaS screens for the following broad criteria in selecting companies:

- Strong management/board
- A business that can be modelled
- Point of differentiation
- Pathway to profitability

The criteria is assessed by defining the following parameters:

- Does the company have a demonstrated revenue model, cash generation and earnings growth or on the cusp of doing so?
- Is there a demonstrated Return on Capital Employed (ROCE) or a believable plan to achieve satisfactory returns?
- Where does the company sit in relation to its competitors? Does it have a leading market position/competitive edge?
- Can we identify a gap between current share price and the company's fundamental value?
- What is the quality of earnings and balance sheet?
- What is the management team's track record?
- Are there enough markers/data points to produce sensible forecasts?
- Does the board have a majority of non-executive directors, evidence of some previous public company board experience?
- Is the company under-researched (covered by two or fewer brokers)?
- Is this a company in an industry that is out of favour? Is that justified?
- Has this company pivoted from a previous strategy, management team?
- Where is the company in its life cycle – is there a demonstrated pathway to profitability?
- Can we assist in introducing to the right institutional investors and, if required, corporate advisers?

Once we are satisfied that a company meets our criteria, we seek to engage with management to assist with its investment case. In many cases, this requires the company to sponsor its own research coverage. To provide the best possible outcome for our corporate clients, we have established strict criteria for maintaining our independence.

In our view, it is crucial for credibility to ensure that any independent research provider used is truly independent. Paid-for research does attract an element of scepticism from asset managers who rightly question whether an independent provider would express a negative view on management or put a "sell" recommendation or come up with a valuation lower than the current share price on a company which is funding the research report. By applying the screens that we discuss above, RaaS hopefully weeds out companies to which we would apply a sell recommendation. Additionally, our research focusses on providing valuation parameters rather than recommendations and price targets and to limit "wall crossing" our financial model parameters are based on publicly available information only. This helps minimise the risk of material non-public information making its way into our models or research.

Other ways we maintain our independence include:

- No "wall crossing" in preparing a positioning paper/research report for publication;
- Ceasing research contracts with any client who tries to influence or change the views expressed in our reports;
- RaaS does not have any executive function within companies and does not engage in or receive fees for capital raising for research clients;

- RaaS is not aligned to any one market participant or corporate advisory firm;
- Our earnings estimates and reports are published widely and made available across the following platforms: Bloomberg, Capital IQ, FactSet, Listcorp, Refinitiv (Thomson Reuters), Smart Karma.
- We also publish to our own website www.raasgroup.com and on LinkedIn.
- Where an analyst holds shares in the company under coverage, this is clearly highlighted on the front page of each report and referred to in disclaimers and disclosures. No one associated with RaaS can purchase shares in the period between RaaS entering discussions with a potential client and initiating research on the company, nor can shares be acquired ahead of a planned update report being published.
- We have forged research alliances with exchanges – the National Stock Exchange (ASX:NSX) and PrimaryMarkets Pty Ltd, which operates secondary trading hubs for both listed and unlisted companies. As the research provider to these exchanges, RaaS strives to deliver balanced and well considered research on the companies that these exchanges engage the team to cover. Unfortunately, we are not eligible to bid for research under the ASX equity research scheme as we are not an equity market participant (broker). Appendix B highlights the companies we have covered for the NSX and PrimaryMarkets.

Through the cycle observations

The analysts who make up the RaaS team all have 20+ years' experience in the finance markets, in other words we are all on the wrong side of 40! However, having been through a few cycles, we might have learned a thing or two along the way. Following are some of our observations.

John Burgess

What do I know about down cycles? I came out of Uni in 1990 to a weak job market with one child and one on the way. I worked in a kitchen full-time for the next 12-months before finding a degree relevant role. I was an industrial broking analyst through the tech boom and tech wreck, often wondering if the valuation concepts taught at Uni and espoused by investing legends had broken down. Every stock that wasn't tech was "old world" and attracted little interest…until 2000. I was Head of Research just before the GFC putting in-place more rigour in toughening markets which ultimately lead to several research awards. Unfortunately I experienced the inner workings of small company politics, questioning a flawed strategy which resulted in being blindsided with retrenchment, effectively derailing my career (it would make a good book though). Bitter, a little, but smarter, wiser and more rounded, absolutely.

This cycle looks very different to the GFC, with unprecedented stimulus masking the true damage being done to the economy across multiple sectors. It will not be until late CY20 that we see the pain the numbers suggest we should be feeling now. From a market and company perspective. With that in mind I make a few points on cycle learnings below.

Different management skill sets may be required. We have had 10-years of easy money, a rising share market accompanied with by declining bond yields decline and rising house price increases. This game is over, and some existing management may not have the skill sets required to navigate the new environment. This is particularly the case for newly listed companies in relatively new sectors. A geologist running a mining company during a commodity slump is a good example. I remember David Meiklejohn becoming MD of Amcor just as the group needed to massively restructure their Australian operations. Starting as an 18-year old on the factory floor and working to the top he knew almost everybody in Amcor and simply could not be involved in the retrenchment process.

There is still activity in "recessions". Economists and the Media love the word "recession", but people still travel (when allowed), pay $50 for steak and shop at their favourite speciality stores. A recession is not necessarily a reason to avoid stocks or an environment where companies cannot achieve EPS growth.

Stock liquidity, particularly for smaller companies becomes a massive issue in downturns as both retail and institutional investors fly to perceived quality. It is hard enough to get retail investors interested in little known companies in good times, so it will be even harder in a market downturn. Small companies with a story to tell need to tell it, tell it and tell it again or risk becoming a zombie listing.

Time to dial back the spin. We have seen a proliferation of IR firms and corporate research spinning the upside of companies like never before. There are very few Total Addressable Market (TAM) analyses that don't have >US$10bn as a starting point! In tougher markets investors will ask questions first and buy later, not buy first and ask questions later. The "blue sky" will be ignored and realistic market opportunities examined.

Finola Burke

I've always said when it comes to my own career, my timing is terrible. I joined the start-up team of a new business newspaper, *Business Queensland*, in January 1990, as I said, not great timing. My first article on the front page of the first edition of the paper featured the collapse of a heavy engineering equipment manufacturer. It was the first of many reports about company collapses and receiverships over the next three years. The weekly paper carried listings of winding up applications, liquidator appointments and winding up orders. These far outweighed new name applications at the time. *Business Queensland*, a start-up, made it through the recession we had to have and went on to launch another newspaper, *Business Sydney*, five years later, which eventually led to its downfall; but that is another story.

Some key learnings from my experience:

Companies should never waver from their core mission/goal. *Business Queensland* was created to be a local voice for small business and to hold governments accountable to small business when necessary. While it stuck to that mission, it was successful.

Businesses can still grow in a cyclical downturn. I witnessed new industries and innovations emerging from the 1990s recession. In what was still a pre-Internet era, companies turned to IT to streamline their business practices and processes. Companies like Mincom which had been going for almost a decade before the recession experienced tremendous growth coming out of it. As tech takeup accelerated, advertising came with it. BQ went from a four-page monthly IT supplement to 20 pages very quickly.

Investment in innovation and early stage companies is just as important in a downturn. There is no doubt that Barry Jones's push for investment in science, technology and R&D in the mid-1980s, which resulted in the 150% R&D tax concession, created an environment for new industries to survive and thrive beyond the recession. The concession commenced in 1985 and was due to be phased out in Jun 1991 but was extended to June 1993 with a step down 125% concession coming into play from 1993 to June 1995. Australia's biotech industry was born in 1985 as a result with early successes from Biota and Peptech. More broadly technology companies expanded rapidly in this era with medical device giant ResMed Inc (ASX:RMD/US:RMD) commencing operations in 1989 and Optus (now Singtel Communications (SI:STEL) commencing in 1991. **We are seeing contraction in new seed investment in this current environment** which is a worrying sign and one that may need government encouragement yet again.

Fast forward 11 years and I have now moved to the dark side to become an equities analyst. I joined BNP Paribas in January 2001 as media analyst, having spent the previous five years covering the media, telecoms and tech sector for the *Australian Financial Review* and *The Australian*. We had the DotCom crash the year before and were headed for another downturn after 9/11.

It was my first year as an analyst and I learned quickly that it can be death by a thousand cuts for broking analysts or to quote industry veteran David Paradice, **downgrades always come in threes**! Yes, it took three downgrades for me to get it right in 2001, but I learned fast.

Ahead of the GFC, I substantially downgraded my forecasts for the media sector on the back of my observation in early 2007 that the advertising cycle would peak at the Beijing Olympics – 40 years of data backed me up. So I was right for some of, but not all, the right reasons. By early 2008, I had to revisit my forecasts and downgrade for longer as it became obvious that it was not going to be a V-shaped recovery for advertising. Other broking analysts entered the race for the bottom with much more pain. This cycle is going be harder to model. Q4 FY20 revenues for many companies will be at the very least somewhat impacted, either negatively or positively, and for some non-existent, and how do you normalise for FY21? Supermarket retailers will have tougher comps to peddle against next year after the COVID-19 led panic buying of recent months, as potentially will some FMCG companies. Although a caveat here is that home entertaining could emerge as the new norm for consumers as we emerge from the pandemic. Tech companies, particularly those focused on health, personal well-being, entertainment and automation, should be beneficiaries of this current environment and, given their likely earlier lifecycle stage and often SaaS like revenues, should continue to grow into the year ahead. A number of our clients fit into this category and we expect will emerge from this period on a stronger footing.

Market routs invariably bring job cuts to the sell side in the finance industry, and less frequently, the buy-side and the perceived cost centre, Research, is usually the first to go, in particular small cap teams, and with it, corporate memory. Very few of the highly rated research analysts I worked with at BNP Paribas or Credit Suisse are engaged on the sell-side today and many of the experienced institutional sales traders have also moved on. Those research analysts who keep their jobs in this cycle are likely to increasingly focus on the larger, more liquid end of the market, further reducing broker research on microcaps and small caps at the time when it is most needed.

Andrew Williams

As an exploration geologist and financial analyst, I know very well about 'cycles' with every drop in oil or coal prices heralding another round of budget cuts and the potential for retrenchment. In some ways I was ahead of my time vocationally, changing jobs with a frightening regularity – very millennial of me – but unfortunately mostly involuntarily. However, it did provide the opportunity for first hand observations on the strategy and decisions of management; and the consequences, the impact on staff through periods of uncertainty and the benefits that ensued from properly motivated, focussed and professional people…controlling the things they could control and seeking the opportunities that emerge at the bottom and coming out of the downturns.

Cyclicity is a by word for the resources sector in particular with the frequency and amplitude seemingly increasing. There are some general observations that can be applied to the sector that I think are common for all companies but particularly in the small cap space. These themes are:

Management is key – after all small cap investing at any time is as much about investing in management as the assets. Everyone looks good in a bull market but which ones are the ones you will back in a downturn, perhaps more so in resources than industrials. Does the team have the requisite diversity of skills sets? What is the immediate track record…have they delivered on the strategy, operations, have they added value? Do they have a coherent plan for operating (not surviving) through the bottom of the cycle? My best managers used the downturn to review all assets and JVs – high-grading the portfolio and looking to distressed assets as opportunities to reset and rebalance.

Good companies continue to work (invest in) their assets. Let's make the distinction between prudently reducing the cost base and 'doing nothing'. There is no value to be added for shareholders or investors from companies simply in 'survival mode'. The ones that set themselves up for the upturn are the ones to identify. Forced stoppages (no field activity) does not mean no progress…we can specifically point to the Western Flank of the Cooper Basin, where massive flooding had halted all field movements and shut-in a significant proportion of production, but integrated technical analyses set the platform for what has been (and continues to be) an outstanding crude oil asset. Small companies can still undertake field work – they are generally more technically innovative and cost effective – when big companies see no value in working assets, small companies can steal a march.

Contrast that with the actions of many of the small oil companies through the Asian financial crisis and tech boom of the late 1990's and into the early 2000's…offering themselves as listed shells for the next big technology opportunity, raising capital and keeping themselves paid. Of course, this was at a time of US$15/b crude oil going to $10, going to $2…old economy and un-investible. But after bottoming at $10/b where was the next stop…$150/b on the way up.

Look at the macro operating environment – how have the fundamentals changed? Is oil the place to be or gas? Are industrial metals (vanadium, lithium) still attractive? Go back to first principles and start with the commodity, what do you like and why? This should apply at all times in the cycle but is worth revisiting in a downturn to provide a more focussed subset of opportunities. In the normal course of events lower asset prices should catalyse M&A, particularly if implied resource values (per barrel, per gj or per tonne) are lower than average finding and developing costs.

I remember Black Tuesday (Oct 20, 1987), the market falling by 25% and the ensuing takeover bid for BHP by Bell Resources (Robert Holmes A'Court) necessitating John Elliot's Elders IXL riding to the rescue. The specifics were not important and the regulations of the times less onerous, but it serves to demonstrate that collapsed asset values set the environment for aggregation and break-up. We would expect to see more M&A activity particularly as unlike 1987, debt is cheap and balance sheets are stronger.

It's also worth noting that the oil price collapse of the Asian financial crisis catalysed the merging of global oil majors – Exxon with Mobil, BP with Arco, Chevron with Texaco, Conoco with Phillips and Union; Total with Elf and Petrofina…now is a good time to aggregate!

Financing. By definition almost all small resources companies need financing but investors should not avoid the capital raise spectre. Low equity prices leads to greater dilution but leverage into good assets. Equity markets are not the only recourse to financing so does the company have innovative/left field options – partnering or pre-sales of product?

Melinda Moore

As the GFC struck, I was living in Singapore, having moved from Shanghai in mid-2007, after 5-years working amid China's booming commodities sector, turbo-charged by the country's urbanisation/industrialisation super cycle. I worked within BHP's Carbon Steel Materials marketing team, as a global markets commodity strategist. I formed part of a team set up to identify short- and long-range market dynamics and disruptions. We provided inputs into BHP's forward mine investment planning, customer engagement and pricing strategies. We highlighted why BHP was well placed on the cost curve to weather the GFC demand fallout on commodity prices without turning off production. We assisted develop the rationale and methodology for the switch from annual benchmark to spot market pricing mechanisms. We were also helping prepare answers required by the European Commission's anti-trust division to defend BHP's scrip bid for Rio Tinto, first announced in November 2007, then pulled a year later on 25 November 2008 in reaction to the GFC, then re-ignited again as a merger of their iron ore businesses in mid-2009. It was a fervent, highly-intellectually stimulating time.

I nearly lost my job though.

Every Sunday afternoon, I would write an internal update assessing all the weekly commodity market indicators. My distribution list included those in the marketing team, head office and the various carbon asset leaders among iron ore, coal and manganese. One Sunday in early-August 2008, nearly 2 months ahead of the 29 September stock market crash, I sent a note saying "something seems wrong in China"…and all hell broke loose. The IO Asset President rightly wanted to know how we should best position production and shipments to respond to a slowing China; the Chinese team fumed that I had ruined all their hard graft over the prior 5years building Company support for their "high-growth" investment outlook thematic for China. And so, the Marketing Head stopped my weekly updates. It was an interesting lesson for me in managing messages. To this day, I'm proud that I did the job I was paid to do. BHP was provided with an internal early warning mechanism. It acted accordingly, being the only Major miner to continue producing ore and coal unfettered during the crisis, because it understood its position on the cost curve and was set up to monitor detailed daily supply-demand balance changes. Our strategic analytical insights paid off handsomely. We saved jobs; we protected corporate tax receipts. We were never thanked. However the mantra of owning low-cost (curve); high quality, long-life, seaborne mining assets which can sustain themselves through the entirety of any cycle still holds as true today as it did 11 years ago.

Some other observations from surviving that and other cycles:

Cash is king and focused strategic leadership will prevail. Identify companies with both these characteristics and the potential for above-average returns should be forthcoming on a two-to-three year U-recovery view.

Investors with the foresight to position for the Isolation Exit by **priming their balance sheets with immediate liquidity are already best placed to succeed.** The opposite is true of those described by Warren Buffett as "caught with their pants around their ankles when the tide goes out" – ie high debt; poor investor support and based in a sector which will struggle to recover post-COVID.

Anyone who has successfully raised debt/equity levels already will likely reap the greatest returns. They prove they can be fast-acting in a crisis and have the necessary investor support already in place, a clear tick that the market thinks they are worth backing. Cochlear is a case in point. An equity raising is only dilutive if it is wasted on lower return investments than the weighted average cost of capital.

In the GFC, we had China stimulus & QE drag economies out from a 70-year deep recession. This time we will also have global "shovel-ready; metals-intensive" stimulus, already announced at ~$15 trillion. Some of this has been sunk into maintaining steady-state for affected workers and businesses; some will be injected to salvage insolvencies. Hopefully, some will also head towards infrastructure investments to improve future qualities of life, particularly in telecommunications and energy. Amusingly, excavator sales in China were up ~68% YoY in May. Chinese provincial leaders are geared to making fast-action investment approvals "on-command", investing infrastructure bonds quickly to stimulate jobs. The Western approval process is more patterned by the uncertainty of long-drawn "not-in-my-backyard" protests and objections. However if hospitals can be built in 3 weeks, hope spring eternal that faster actions can be harnessed to protect jobs and inject life, especially with the "greater good" more firmly fronted in community minds.

For commodities, already we are seeing differentiated winners and losers.

Countries which have deemed mining to be "non-essential" (India; Canada; Peru) are losing out over countries that have deemed mining as "essential" (Australia). This is causing differentiated impacts on supply-demand balances: iron ore has experienced incredible pricing resilience; diamonds have been hard-hit. Such divergence will impact currencies/trade balances differently too.

Choosing commodities where demand is strongly pivoted towards China and other Asian economies, who have been best prepared and therefore least impacted by the Virus, is also a clever strategy. For instance, iron ore is reliant on China for 75% of its total seaborne demand. Meanwhile many countries supplying iron ore have shut their mines. This has helped global supply-demand balances and kept prices resilient. Although we expect miners to recover quicker than downstream manufacturing, construction should be relatively quick to return too and will have the added benefit of being a beneficiary of the expected “infrastructure stimulus” effect. Meanwhile after the lessons gained from the GFC and commodity slump in 2015/2016, miners are more likely to focus on value over volume and are likely to manage supply better this time. Copper should similarly benefit.

In choosing a Miner, we would again take a 2-pronged approach: A) focus on the low-cost curve positioned miners for the first phase of the Exit and then B) switch to those above the 50th percentile for the second phase of the Recovery.

Scott Maddock

Generally, bad moments remain more vivid in our memory than good ones. We are loss-averse and focus on avoiding painful short-term events – potentially painful long-term developments can be dealt with another day…after we’ve avoided the lion, caught the fish, picked the fruit and found somewhere warm to sleep. This is certainly true of market recollections!

I was grateful to get a job in 1984. The unemployment rate was 9.2%, down from more than 10% the previous year and inflation at 5.8% was only half the rate a year prior. My first experience of markets was in 1986 after departing an economics role in Canberra for the brighter lights of Sydney. Training was the usual push into the deep end and just over a year later the water was almost drained out of the pool by the 1987 crash. Luckily, I’d picked the best performing fund as my employer - so things got better. Then I optimistically moved to the sell-side and thus experienced the “recession we had to have” as an analyst at a broker. The natural consequence of that decision was unemployment with a 4-week old child. Our home loan application was refused when the mortgage rate was 17% in 1990. Unemployment peaked at 11.2% and Inflation bottomed at 0.3% in Dec 1992.

I concluded the buy-side was a better place to be despite the higher stress of delivering above-market performance.

Australia slowed in the mid-90’s as the RBA tightened monetary policy in the face following a strong recovery, then Asia had a confidence-based currency crisis in 1997. Technology, Media, and Telecommunications became a three letter-acronym as de-regulation stimulated innovation and greed. A formative tour of the West coast of the US from Amazon in Seattle to Cisco in San Jose in March 2000 confirmed some good decisions about what to own. The tech wreck was entrenched by the 9/11 attack in 2001 (one month after I had walked through the trade centre concourse). TMT was no longer an acronym worth paying attention to. In the period before telecommunications companies were finally turned back into utilities the bombs exploded in Bali in 2002. I flew home two hours before to be met by a cameraman at the arrivals gate.

In 2007 deregulation and market forces were shown to be inconsistent with the public good and Lehman Bros. collapse marked the start of the Global Financial Crisis. Our start-up fund manager outperformed through the ensuing carnage by holding lots of cash. The period since has seen substantial levels of market volatility as systematic funds and indexing have increased in importance as money management options. Investors’ tendency to over-react has not been moderated by a move toward investing-by-numbers (at the expense of active managers market share).

Before we realised that COVID-19 was a pandemic, inflation in Australia was 2.2%, unemployment was 5.1% and mortgage rates were about 3.57% after a decline in interest rates sustained since 1990. We have never had it so good.

Each crisis is different but the same. There is always an element of short-term thinking about market and regulatory structures which is compounded by greed. The current crisis is (perhaps) unique in my experience in not being caused by financial instability. But the other factors are too apparent. The economic and market impact of the response to COVID have been extreme - but we've now had lots of practice with volatility and our government and institutions appear to have responded well. But people haven't really changed. Market performance has highlighted that investors' response to uncertainty is still the same - over-react and sell everything – some of those decisions will be right and the rest will be brought back on the way up. Holding quality companies, building quality processes and businesses, and looking to the long-term remain the best way to manage through volatility. Invest quietly and carry a big return on capital with little short-term maturing debt - to misquote the famous aphorism. Above all try and use rational, fact-based analysis to support decisions. (So far so good!).

Common characteristics

If you have indulged us by reading our "through the cycle" observations, you would have come to the conclusion that while we all have had diverse experiences in our careers, we have all encountered down cycles on more than one occasion. More detail on the team's experience can be found in Appendix A. While share markets are seemingly shrugging off the impact of COVID-19, the broader economic implications of the pandemic and government responses to it are only just beginning to emerge. In Australia, September and October loom as the starting points that the real markers of economic impact will present. The companies that RaaS works with today come from a diverse range of industries and yet, they share many traits that we believe will assist them through the current cycle. Key common characteristics include:

- **Market leader** – Ricegrowers t/a SunRice, BetMakers Technology, Shekel Brainweigh, and Total Brain are all market leaders in their field. Any emerging competitors would find it difficult to replicate or indeed usurp the positions these companies have built.
- **Strong balance sheet** – Ricegrowers t/a SunRice is well capitalised for any acquisition opportunities that emerge while BetMakers, Stealth Global Holdings and Shekel Brainweigh's traditional OEM scales business are cash generative. Empire Energy Group has significantly strengthened its balance sheet by reducing its debt to US$7m and is sitting on cash of the same while Total Brain finalised a $14m equity round in January which we expect will take the company through to cashflow breakeven. DXN has also recently completed a $5.6m entitlements which expanded its footprint into a profitable, EPS accretive data centre acquisition in Tasmania.
- **Strong board/management team** – One of the key criteria we look to when assessing companies is the quality of its board in terms of governance and independence and the strength of the management team in terms of relevant experience in building similar companies. This is a common feature across all the companies we are working with.
- **Clear strategy/pathway to profitability** – We identify and seek out companies that have a clearly defined strategy for either expanding their existing footprint (SunRice, BetMakers, DXN, Shekel Brainweigh, Stealth Global) or developing a product, resource, technology, that will take the company to profitability (DXN, Empire Energy, Lakes Oil, Shekel Brainweigh, Total Brain).

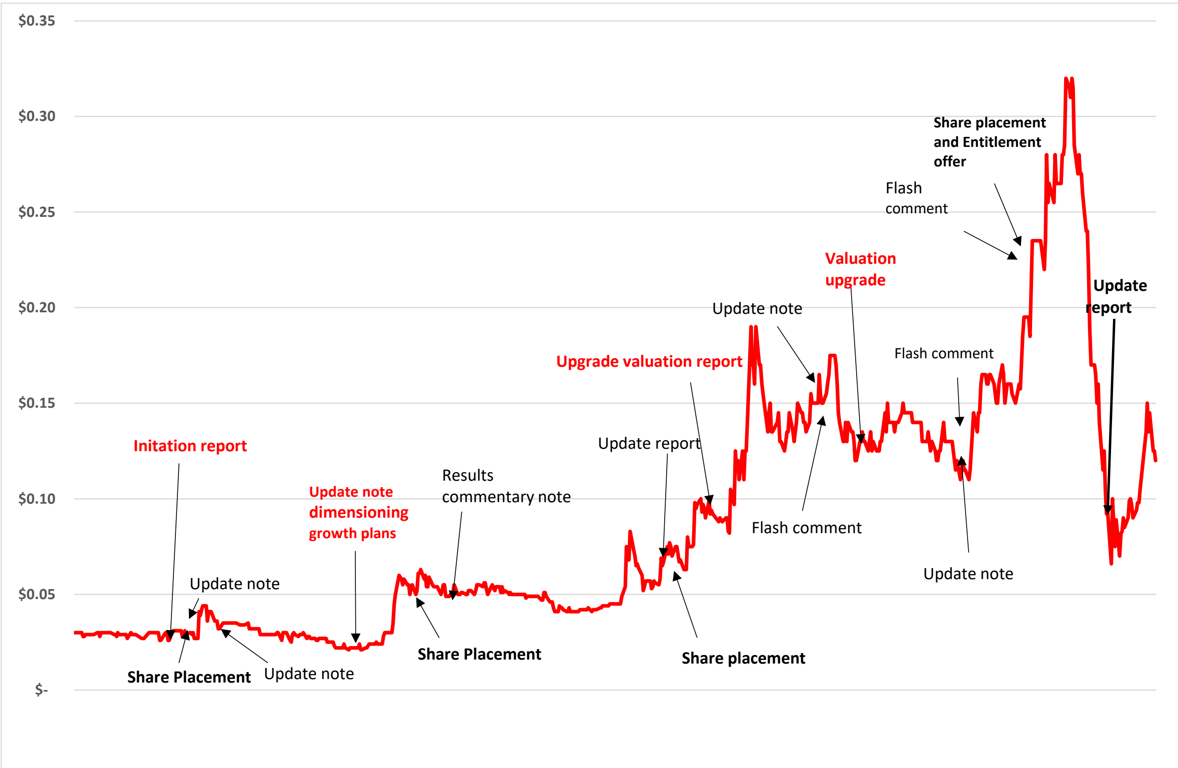
We examine our approach through the following case study of a client which has been under RaaS coverage for two years, and then highlight each company under coverage from page 13.

Case Study

We provide the following case study on Client X which has been under RaaS coverage for two years. The case study demonstrates the benefit of having regular research with earnings estimates distributed to the market, allowing price discovery by investors. In this case, the company had a market capitalisation of ~$13m at the time of initiation. The company faced the challenge of securing market trust amid resetting the business model. Over the course of the last two years we highlighted in several research reports the progress the company was making in its business strategy, dimensioning what this meant for both our earnings forecasts and valuation. Brokers and investors have had discovery of Client X's potential upside through RaaS's research and earnings forecasts being made available on the Bloomberg, FactSet, and Thomson Reuters/Refinitiv platforms and through our email distribution. We have introduced brokers to Client X who have gone on to raise capital for and initiate coverage of the company. The company now has investors on its register who would not consider the stock two years ago. Today the market capitalisation of the company is north of $200m and Client X is well capitalised for its next phase of growth.

The following chart demonstrates the share price appreciation enjoyed by Client X over the past two years and highlights in red the key reports we delivered which resulted in a rerating for the company, allowing capital to be raised along the way. In our view, consistent relevant research together with earnings estimates delivered across many distribution points is the most effective way a small/microcap company can secure investor attention.

Exhibit 1: Client X share price performance and RaaS's research reports



Source: Refinitiv, RaaS Analysis

BetMakers Technology Group

Delivering a global wagering platform

BetMakers Technology Group (ASX:BET) is a B2B software services business focused on servicing the wagering market and race operators globally. BetMakers is not a gaming company, it is a technology company that is facilitating commercial opportunities for racing authorities, rights holders, and corporate bookmakers while providing an improved racing experience for punters. BET has forged significant partnerships in recent months which position the company to be a key player in the still fledgling fixed odds wagering market in the US and in the global online wagering market. The joint venture with the Waterhouse Group also presents an opportunity for BET to accelerate revenue opportunities from both lead generation and managing bookmakers' online presence for a share of profit margin. The company is currently experiencing an acceleration of the take-up of its products and services by wagering operators seeking to move online and enhance their race product offering. To accelerate its growth plans, BET has just completed a $35m share placement at $0.37/share. Our forecasts incorporate the placement and growth expectations for these ventures in FY21 and beyond.

Business model

BetMakers operates a SaaS style model for its Racing Data and Informatics platforms: Global Betting Services and DynamicOdds. Racing bodies and bookmakers pay a monthly recurring fee for access to the platforms with contract periods usually of 3 years' duration. We estimate that 80% of FY19's $6.2m in revenue was generated under the SaaS model. BetMakers also generates revenue from the content distribution deals it has in place with international horse, harness and greyhound racing authorities which are more aligned to share of turnover. Over time we expect the SaaS revenue share to average 50% as BET expands its racing data and informatics platforms and new integrity platforms in both Australia and offshore.

Opportunities for global expansion presenting

BetMakers has entered into several new partnerships/joint ventures in the past quarter which position the company well for future expansion of its global wagering platform. Its 10-year exclusive fixed odds deal with the New Jersey Thoroughbred Horsemen Association and Darby Development, owner of the Monmouth Park racetrack, together with its 5-year on-course fixed odds agreement with Monmouth Park put BET in the front line for the development of the US fixed racing wagering market. The JV with Waterhouse Group to provide Managed Trading Services to wagering operators (online bookmakers, racetracks, casinos, etc.) has the potential to generate significant sustainable revenues in the near-term. Opportunities such as these position BET to be the DNA of the racing industry and was a key attraction for RaaS to cover the company.

Base Case Valuation of A$281.1m

We use the discounted cashflow methodology (WACC 14.3%, terminal growth rate of 2.2%) to value BetMakers, arriving at a base case valuation of $281.1m or $0.39/share, fully diluted for June share placement, 60.49m in the money options and the Waterhouse Group performance rights. Excluding the options, the per share valuation is $0.49/share. In our view, continued demonstrated success with its strategy and delivery of FY20 guidance for positive EBITDA should underpin BET's share price performance.

Historical earnings and RaaS Advisory estimates (in A$m)

Year end	Revenue	EBITDA rep	NPAT rep.	EPS (c)	EV/Sales (x)	EV/EBITDA (x)	PER(x)
06/19a	6.8	(2.1)	(3.6)	(1.26)	28.7	na	na
06/20e	9.2	0.5	(1.3)	(0.26)	25.4	nm	na
06/21e	29.5	7.0	2.4	0.69	7.9	33.1	70.2
06/22e	43.1	12.2	7.6	1.41	6.4	19.1	36.4

Source: Company data, RaaS Advisory Estimates for FY20e, FY21e, and FY22e

Share details

ASX Code	BET
Share Price	$0.465
Market Capitalisation	$264.2M
Number of shares post raise	568.1M
In the money options	60.49M
Waterhouse options available through performance rights	94.74M
Enterprise Value	~$231.2M
Sector	Online services
Free Float	~70%

Share price performance (12-months)

Upside Case

- Embedded in the racing clubs' integrity systems
- Strong relationships with corporate bookmakers in Australia, US and UK
- Opportunity to leverage relationships to develop its Global Racing Network and US operations

Downside Case

- Dependent on volumes, clipping a very small portion of the wager
- Sensitive to regulation in market
- Potential backlash from incumbent totalisers

Catalysts

- Delivery of FY20 guidance for positive EBITDA
- Continued evidence that the GRN and US rollout is being adopted by corporate bookmakers/ racing bodies

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***The analyst holds shares**

Exhibit 2: Financial Summary

BetMakers Technology Group Ltd (BET)					
Profit and Loss (A$m)					
Y/E 30 June	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
Sales revenue	12.7	6.2	9.0	29.5	43.1
Total Revenue	17.8	6.8	9.2	29.5	43.1
Gross Profit	1.6	4.6	7.6	17.5	24.8
EBITDA	0.5	(2.1)	0.5	7.0	12.2
Depn	(0.2)	(0.2)	(0.1)	(0.0)	(0.0)
Amort	(0.2)	(1.6)	(1.7)	(1.3)	(1.0)
EBIT	0.2	(3.9)	(1.3)	4.4	11.2
Interest	0.0	(0.0)	(0.4)	0.3	0.3
Tax	(0.5)	1.0	0.4	(1.8)	(3.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0
NPAT pre significant items	(0.3)	(2.9)	(1.3)	2.9	8.1
Significant items	(5.7)	(0.7)	0.0	0.0	0.0
NPAT (reported)	**(6.0)**	**(3.6)**	**(1.3)**	**2.9**	**8.1**
Cash flow (A$m)					
Y/E 30 June	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
EBITDA	0.5	(2.1)	0.5	7.0	12.2
Interest	0.1	(0.0)	(0.4)	0.3	0.3
Tax	0.0	(0.1)	(0.0)	(1.8)	(3.5)
Working capital changes	(12.0)	(0.9)	(2.5)	(4.9)	(5.7)
Operating cash flow	(11.4)	(3.1)	(2.3)	0.6	3.4
Mtce capex	0.0	(0.0)	(0.1)	0.0	0.0
Free cash flow	(11.4)	(3.1)	(2.3)	0.6	3.4
Growth capex	(0.1)	0.0	0.0	0.0	0.0
Acquisitions/Disposals	0.3	(5.8)	0.0	0.0	0.0
Other	(0.2)	(0.9)	0.0	0.0	0.0
Cash flow pre financing	(11.3)	(9.8)	(2.3)	0.6	3.4
Equity	10.1	9.1	36.4	0.0	0.0
Debt	0.0	(0.3)	0.0	0.0	0.0
Dividends paid	0.0	0.0	(0.1)	0.0	0.0
Net cash flow for year	(1.3)	(1.0)	33.9	0.6	3.4
Balance sheet (A$m)					
Y/E 30 June	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
Cash	1.5	0.5	34.2	34.9	38.2
Accounts receivable	5.4	1.2	1.5	4.9	7.1
Inventory	0.0	0.0	0.0	0.0	0.0
Other current assets	0.1	0.1	0.1	0.1	0.1
Total current assets	*7.0*	*1.8*	*35.9*	*39.9*	*45.5*
PPE	0.3	0.2	0.2	0.1	0.1
Intangibles inc Goodwill	2.0	14.5	14.5	14.5	14.5
Investments	0.0	0.0	0.0	0.0	0.0
Deferred tax asset	5.4	6.5	7.0	7.0	7.0
Other assets	1.3	7.7	7.6	9.5	13.0
Total non current assets	*9.0*	*28.8*	*29.2*	*31.1*	*34.6*
Total Assets	15.9	30.6	65.1	71.0	80.1
Accounts payable	2.8	1.2	0.2	2.0	3.0
Short term debt	0.0	0.0	0.0	0.0	0.0
Tax payable	0.0	0.0	0.0	0.0	0.0
Other current liabilities	0.3	6.2	0.3	0.3	0.3
Total current liabilities	*3.1*	*7.4*	*0.6*	*2.3*	*3.4*
Long term debt	0.0	4.0	4.1	4.1	4.1
Other non current liabs	0.1	0.1	0.1	0.1	0.1
Total long term liabilities	*0.1*	*4.1*	*4.2*	*4.2*	*4.2*
Total Liabilities	3.2	11.4	4.8	6.5	7.6
Net Assets	**12.7**	**19.2**	**60.3**	**64.5**	**72.6**
Share capital	32.5	42.4	84.7	84.7	84.7
Accumulated profits/losses	(21.2)	(24.0)	(25.3)	(21.1)	(13.0)
Reserves	1.4	0.7	0.9	0.9	0.9
Minorities	0.0	0.0	0.0	0.0	0.0
Total Shareholder funds	**12.7**	**19.2**	**60.3**	**64.5**	**72.6**

Share price (16 June 2020)						A$	0.47
Interim (A$m)	**H119A**	**H219A**	**H120F**	**H220F**		**H121F**	**H221F**
Revenue	3.0	3.8	4.3	4.9		13.3	16.2
EBITDA	(1.9)	(0.1)	0.6	(0.0)		3.0	4.0
EBIT	(2.1)	(1.7)	(0.4)	(0.9)		2.3	3.4
NPAT (normalised)	(1.5)	(1.4)	(0.6)	(0.7)		1.7	2.5
Minorities	0.0	0.0	0.0	0.0		0.0	0.0
NPAT (reported)	(1.8)	(1.8)	(0.6)	(0.7)		1.7	2.5
EPS (normalised)	(0.9)	(0.4)	(0.1)	(0.2)		0.3	0.4
EPS (reported)	(0.9)	(0.4)	(0.1)	(0.2)		0.3	0.4
Dividend (cps)	0.0	0.0	0.0	0.0		0.0	0.0
Imputation	30.0	30.0	30.0	30.0		30.0	30.0
Operating cash flow	(2.8)	(0.3)	(0.2)	(2.1)		0.0	0.6
Free Cash flow	(2.8)	(0.3)	(0.3)	(2.1)		0.0	0.6
Divisions	**H119A**	**H219A**	**H120F**	**H220F**		**H121F**	**H221F**
Wholesale Wagering	2.6	3.1	3.2	3.7		9.9	12.1
Content & Integrity	0.2	0.3	0.9	1.2		3.4	4.1
Other income	0.3	0.4	0.0	0.0		0.0	0.0
Total Revenue	3.0	3.8	4.0	4.9		13.3	16.2
COGS	1.4	0.8	0.4	1.0		5.5	6.6
Gross Profit	1.6	3.0	3.6	4.0		7.8	9.7
Employment costs	1.8	1.6	2.0	2.6		3.3	4.1
Selling General & Admin Costs	1.6	1.6	1.3	1.4		1.4	1.5
Other Opex	0.1	(0.0)	0.0	0.1		0.1	0.1
Total Operating Costs	3.5	3.1	3.3	4.0		4.8	5.7
EBITDA	(1.9)	(0.1)	0.3	(0.0)		3.0	4.0

Margins, Leverage, Returns		FY18A	FY19A	FY20F	FY21F	FY22F
EBITDA		n/a	(30.5%)	5.8%	23.8%	28.4%
EBIT		n/a	(56.9%)	(14.6%)	14.8%	26.0%
NPAT pre significant items		n/a	(42.7%)	(14.6%)	9.7%	18.7%
Net Debt (Cash)		1.5	(3.5)	30.1	30.8	34.1
Net debt/EBITDA (x)	(x)	2.692	n/a	56.119	4.369	2.787
ND/ND+Equity (%)	(%)	n/a	15.6%	(99.9%)	(91.2%)	(88.8%)
EBIT interest cover (x)	(x)	(0.2)	n/a	n/a	- 0.1	- 0.0
ROA		n/a	(16.7%)	(2.8%)	6.4%	14.8%
ROE			(22.6%)	(3.4%)	4.6%	11.8%
ROIC		1.1%	(49.2%)	(3.1%)	5.5%	16.2%
NTA (per share)		0.07	0.01	0.08	0.09	0.09
Working capital		2.6	0.1	1.3	2.9	4.1
WC/Sales (%)		**14.8%**	**1.3%**	**13.6%**	**9.8%**	**9.6%**
Revenue growth		n/a	(61.6%)	34.9%	221.1%	45.7%
EBIT growth pa		n/a	n/a	n/a	(425.7%)	156.1%
Pricing		**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
No of shares (y/e)	(m)	162	413	568	568	663
Weighted Av Dil Shares	(m)	162	232	632	632	632
EPS Reported	cps	(3.68)	(1.55)	(0.28)	0.74	1.42
EPS Normalised/Diluted	cps	(0.19)	(1.26)	(0.24)	0.66	1.28
EPS growth (norm/dil)		n/a	n/a	n/a	-373%	93%
DPS	cps	-	-	-	-	-
DPS Growth		n/a	n/a	n/a	n/a	n/a
Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%
Dividend imputation		30	30	30	30	30
PE (x)		-	-	-	63.1	32.8
PE market		15.6	15.6	15.6	15.6	15.6
Premium/(discount)			(100.0%)	(100.0%)	304.6%	110.1%
EV/EBITDA		136.8	(94.1)	435.8	33.1	22.4
FCF/Share	cps	(7.0)	(0.7)	(0.4)	0.1	0.5
Price/FCF share		(6.6)	(62.9)	(117.7)	419.4	91.8
Free Cash flow Yield		(15.1%)	(1.6%)	(0.8%)	0.2%	1.1%

Source: RaaS Analysis

DXN Ltd

Edge strategy continues to unfold

DXN Ltd (ASX:DXN) is a vertically integrated prefabricated modular data centre business with manufacturing facilities in Perth and its own data centre, SYD01, at Sydney Olympic Park in Sydney. The company has recently acquired the assets of TasmaNet's DC3 data centre in Hobart, Tasmania, as part of unfolding strategy to deliver Edge data centre infrastructure into regional Australia. DXN has developed a strong pipeline of potential contracts for both its DXN Modules manufacturing facility and SYD-01. The company has estimated that an unweighted pipeline of $500m for DXN Modules should be sufficient to sustain weighted sales of $25m annually and that it is well on track to achieving that goal. For SYD-01, the unweighted pipeline in Q3 FY20 was $13m and the weighted pipeline $3m. DXN has been delivering better than expected cost management in the past three quarters under the management of CEO Matthew Madden. We see the unfolding of the company's Edge strategy together with continued success with building and maintenance contracts as key drivers for the business. Our base case DCF valuation is $0.08/share fully diluted for the recently completed $5.6m entitlements offer, implying a 6.2x forward 12 months EV/Sales multiple.

Business model

DXN Ltd designs, builds, owns and operates prefabricated modular data centres. The company achieved an industry first to become the first modular data centre developer to receive both Uptime Institute Tier-Ready III and Tier-Ready IV design review awards. DXN owns its own modular co-location data centre, SYD-01, in leased premises at Sydney Olympic Park which is being expanded to 800kW capacity from its initial 400kW (1.0MW core supporting infrastructure). It has also recently acquired the TasmaNet DC3 centre in Hobart which will deliver another 30 racks and expand DXN's footprint regionally. Revenue is being generated from manufacturing prefabricated data centre modules for third parties and operating and renting rack space in its co-location data centres.

Well placed to deliver modular DCs/capacity in a 5G world

We view the company's ability to both manufacture and operate modular data centres as a key advantage for the company. In the past 12 months, DXN has won several contracts to deliver cable landing station contracts, a key part of communications infrastructure, to several South Pacific island nations. The now-completed acquisition of the Hobart data centre will help spearhead its plans to deliver Edge DC infrastructure across Australia. As a vertically-integrated company, DXN is well positioned to respond to opportunities such as the NSW Government's GIG State tender and, longer-term, 5G opportunities.

DCF valuation is $0.08/share fully diluted

Our base case DCF valuation is $0.08/share fully diluted for the additional shares issued in the now completed $5.6m entitlement offer and our assumption that the accompanying options are fully exercised in 3 years' time. On a 12-months' forward basis equates our valuation equates to an EV/Sales multiple of 6.2x, a steep discount to larger data centre peers NextDC (ASX:NXT) and Megaport (MP1) which respectively trade on 20x and 23x 12 months' forward sales.

Historical earnings and RaaS Advisory estimates (in A$m)

Year end	Revenue(A$m)	EBITDA(A$m)	NPAT (A$m)	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
06/19a	2.6	(7.0)	(7.4)	(3.50)	2.35	na
06/20e	8.8	(6.1)	(10.3)	(1.98)	2.37	na
06/21e	19.6	(0.4)	(3.8)	(0.37)	1.06	na
06/22e	27.3	2.8	(1.0)	(0.09)	0.79	7.79

Source: Company data, RaaS Advisory Estimates for FY20e, FY21e, and FY22e * EPS normalised for one-time items

Share details

ASX Code	DXN
Share Price	$0.019
Market Capitalisation	$21.4M
Number of shares	1,128M
Enterprise Value	~$22.3M
Net debt	~$0.9M
Sector	Data Centres
Free Float	~87%

Share price performance (12-months)

Upside Case

- Edge Infrastructure and Manufacturing facility in Perth assists in early cashflows and has capacity to meet both internal and external customer demand
- Capital light compared to traditional data centre operators as building 1MW at a time
- Modularised and smaller data centres will be critical to 5G mobile and the Internet of Things

Downside Case

- Small player in a market dominated by global players with deep pockets
- Significant data centre capacity in the Australian market already
- Growth in mature centres reverts to CPI

Catalysts

- Success in meeting its target for $12m in contract sales in FY20
- Confirmation that SYD-001 is reaching capacity

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Research as a Service

Exhibit 3: Financial Summary

DXN Ltd					
Profit and Loss (A$m)					
Y/E 30 June	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
Sales revenue	2.0	1.4	7.8	19.6	27.3
Total Revenue	2.0	2.6	8.8	19.6	27.3
EBITDA	(4.0)	(7.0)	(6.1)	(0.4)	2.8
Depn	(0.0)	(0.2)	(1.0)	(1.8)	(1.9)
Amort	(1.7)	(0.0)	(0.1)	(0.1)	(0.1)
EBIT	(5.7)	(7.2)	(8.2)	(3.3)	0.0
Interest	0.0	0.0	(0.1)	(0.6)	(0.9)
Tax	0.0	0.0	0.0	0.0	(0.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0
NPAT pre significant items	(5.7)	(7.4)	(8.3)	(3.8)	(1.0)
Significant items	0.0	0.0	(2.0)	0.0	0.0
NPAT (reported)	**(5.7)**	**(7.4)**	**(10.3)**	**(3.8)**	**(1.0)**
Cash flow (A$m)					
Y/E 30 June	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
EBITDA	(4.0)	(7.0)	(6.1)	(0.4)	2.8
Interest	0.0	0.0	0.0	(0.6)	(0.9)
Tax	0.0	0.0	0.0	0.0	(0.0)
Working capital changes	(1.0)	0.1	0.2	(1.0)	0.3
Operating cash flow	(5.0)	(6.9)	(5.8)	(2.1)	2.1
Mtce capex	0.0	0.0	(0.3)	(0.7)	(0.7)
Free cash flow	(5.0)	(6.9)	(6.1)	(2.8)	1.4
Growth capex	(0.5)	(10.4)	(5.6)	(1.3)	(3.0)
Acquisitions/Disposals	0.0	0.0	(2.7)	0.0	0.0
Other	(1.1)	(2.0)	(0.3)	0.0	0.0
Cash flow pre financing	(6.6)	(19.3)	(14.7)	(4.1)	(1.6)
Equity	16.0	10.3	10.9	0.0	0.0
Debt	4.4	(0.7)	0.6	4.0	1.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Net cash flow for year	13.7	(9.6)	(3.2)	(0.1)	(0.6)
Balance sheet (A$m)					
Y/E 30 June	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
Cash	12.0	5.4	1.4	1.3	0.7
Accounts receivable	1.2	1.0	1.3	3.3	4.5
Inventory	0.2	1.0	0.4	0.8	1.1
Other current assets	0.7	0.4	0.7	0.7	0.7
Total current assets	*14.2*	*7.8*	*3.9*	*6.2*	*7.1*
PPE	0.4	11.1	18.7	18.8	20.7
Goodwill	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other assets	1.1	3.4	13.5	12.5	11.6
Total non current assets	*1.4*	*14.5*	*32.2*	*31.3*	*32.3*
Total Assets	15.6	22.3	36.0	37.5	39.4
Accounts payable	0.9	1.2	1.0	2.0	2.7
Short term debt	0.0	0.9	2.3	2.3	2.3
Tax payable	0.0	0.0	0.0	0.0	0.0
Other current liabilities	0.1	1.3	2.5	2.8	4.0
Total current liabilities	*1.0*	*3.4*	*5.8*	*7.1*	*9.0*
Long term debt/lease liabilities	0.0	2.1	13.6	17.6	18.6
Other non current liabs	0.0	0.0	0.0	0.0	0.0
Total long term liabilities	*0.0*	*2.1*	*13.6*	*17.6*	*18.6*
Total Liabilities	1.0	5.5	19.4	24.7	27.6
Net Assets	**14.7**	**16.9**	**16.7**	**12.8**	**11.9**
Share capital	20.1	29.7	40.1	40.1	40.1
Accumulated profits/losses	(5.7)	(13.1)	(23.8)	(27.6)	(28.6)
Reserves	0.3	0.3	0.3	0.3	0.3
Minorities	0.0	0.0	0.0	0.0	0.0
Total Shareholder funds	**14.7**	**16.9**	**16.7**	**12.8**	**11.9**

Share price (16 June 2020)					**A$**	**0.019**
Interim (A$m)	**H119F**	**H219F**	**H120F**	**H220F**	**H121F**	**H221F**
Revenue	2.5	0.1	3.4	5.3	9.3	10.3
EBITDA	(2.7)	(4.2)	(3.1)	(3.0)	(0.4)	(0.0)
EBIT	(2.8)	(4.5)	(4.0)	(4.2)	(1.9)	(1.4)
NPAT (normalised)	(2.7)	(4.5)	(4.1)	(4.2)	(2.0)	(1.8)
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	(2.7)	(4.6)	(6.1)	(4.2)	(2.0)	(1.8)
EPS (normalised)	(1.6)	(1.3)	(1.6)	(0.4)	(0.2)	(0.2)
EPS (reported)	(1.6)	(1.3)	(1.6)	(0.4)	(0.2)	(0.2)
Dividend (cps)	0.0	0.0	0.0	0.0	0.0	0.0
Imputation	30.0	30.0	30.0	30.0	30.0	30.0
Operating cash flow	(4.3)	(2.5)	(4.7)	(1.2)	(1.3)	(0.8)
Free Cash flow	(4.4)	(2.6)	(4.7)	(1.5)	(1.7)	(1.1)
Divisions	**H119F**	**H219F**	**H120F**	**H220F**	**H121F**	**H221F**
Port Melbourne	0.0	0.0	0.0	0.0	0.0	0.0
Homebush	0.0	0.0	0.0	0.1	0.2	0.4
Edge Infrastructure	1.3	0.1	2.5	5.1	8.7	9.4
Software sales	0.0	0.0	0.0	0.0	0.0	0.0
Other income	1.2	0.0	0.9	0.0	0.0	0.0
Total Revenue	2.5	0.1	3.4	5.2	8.9	9.9
COGS	2.3	0.9	2.0	4.1	5.8	6.3
Gross Profit	0.3	(0.7)	1.5	1.1	3.1	3.5
Employment costs	1.3	1.7	3.2	2.7	2.6	2.7
Other operating costs	0.3	0.2	0.4	0.4	0.4	0.4
Corporate overheads	1.4	1.4	0.9	0.7	0.7	0.7
Total Operating Costs	3.0	3.3	4.6	3.9	3.7	3.8
EBITDA	(2.7)	(4.1)	(3.1)	(2.8)	(0.6)	(0.3)
Capex required	4.1	0.0	0.0	2.6	0.0	1.3
Margins, Leverage, Returns		**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
EBITDA		n/a	(264.2%)	(69.2%)	(2.3%)	10.1%
EBIT		n/a	(274.1%)	(93.5%)	(16.6%)	0.1%
NPAT pre significant items		n/a	(279.2%)	(94.7%)	(19.6%)	(3.5%)
Net Debt (Cash)		12.0	2.4	- 14.5	- 18.6	- 20.2
Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	- 7.339
ND/ND+Equity (%)	(%)	n/a	(16.6%)	46.5%	59.2%	63.0%
EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	56.9
ROA		n/a	(38.2%)	(28.1%)	(8.9%)	0.0%
ROE			(46.7%)	(61.2%)	(26.1%)	(7.8%)
ROIC		0.0%	(32.1%)	321.7%	27.8%	(0.1%)
NTA (per share)		0.08	0.04	0.02	0.01	0.01
Working capital		0.6	0.9	0.7	2.1	3.0
WC/Sales (%)		**27.8%**	**33.4%**	**8.1%**	**10.6%**	**10.8%**
Revenue growth		n/a	31.1%	231.3%	124.3%	39.2%
EBIT growth pa		n/a	n/a	n/a	n/a	(100.5%)
Pricing		**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
No of shares (y/e)	(m)	194	453	1,045	1,045	1,045
Weighted Av Dil Shares	(m)	98	211	1,128	1,128	1,128
EPS Reported	cps	(5.86)	(3.50)	(1.98)	(0.37)	(0.09)
EPS Normalised/Diluted	cps	(5.86)	(3.41)	(1.47)	(0.37)	(0.09)
EPS growth (norm/dil)		n/a	n/a	n/a	n/a	n/a
DPS	cps	-	-	-	-	-
DPS Growth		n/a	n/a	n/a	n/a	n/a
Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%
Dividend imputation		30	30	30	30	30
PE (x)		-	-	-	-	-
PE market		15.6	15.6	15.6	15.6	15.6
Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
EV/EBITDA		2.1	(0.9)	(3.4)	(46.4)	7.8
FCF/Share	cps	(2.6)	(1.5)	(0.5)	(0.1)	0.3
Price/FCF share		(0.7)	(1.3)	(3.6)	(14.4)	7.2
Free Cash flow Yield		(136.6%)	(79.6%)	(27.8%)	(6.9%)	13.9%

Source: RaaS Analysis

Research as a Service

Empire Energy Group

Pure play exposure to Beetaloo basin

Empire Energy Group Limited (ASX:EEG) is a junior oil and gas producer and explorer with onshore NT unconventional and US conventional oil & gas assets. EEG holds the largest acreage position (>14.5m acres) in the highly prospective, potentially global-scale NT McArthur-Beetaloo basins. The province is fast developing as a gas-rich (and potentially liquids-rich) boost to future east coast Australia's energy needs and Darwin's expanding LNG export terminals, amid strong policy support from both the Northern Territory (NT) and Federal governments. The Beetaloo Basin alone is considered to contain recoverable shale dry gas volumes of over 100 Tcf, with liquids upside. EEG also owns conventional gas/oil assets in the US Appalachia, 80%-hedged at US$2.50/mcf for 2020. Recent 2D seismic results have enabled a 22% upgrade of EEG's NT P50 prospective resource estimates to 13.5 Tcf gas (vs 11 Tcf previously). Crystallising EEG's longer-term potential rests on successful drilling and production testing. With A$11.3m gross cash, EEG is seeking to finalise a safe-work drill plan with local communities and NT authorities as soon as practicable.

Business model

EEG is a junior oil and gas producer/explorer, focused on maturing its prospective Northern Territory acreage. The company holds substantial exploration acreage in Australia's NT McArthur-Beetaloo basins and is the 2nd largest gas producer in the US Appalachia NY State. EEG's NT assets are at the exploration stage. Given the region's high prospectivity, success from future drill programs could see cashflows within 36-48 months, assuming links and upgrades to existing pipeline infrastructure are delivered in parallel.

Delivering pure play exposure to Beetaloo Basin

EEG has recently announced a significant independent P50 prospective resource upgrade of its NT McArthur-Beetaloo basin tenement holdings, with a 22% increase in its gas prospective resources from 11.1tcf to 13.5tcf. This follows successful 2D seismic results on its EP187 property confirming the Beetaloo's extension into EEG's permit zone. EEG is gross cash positive (A$11.3m), leaving the company funded to support its 2020 EP187 Carpentaria-1 work program. We chiefly await a) NT drilling commencement (COVID-19 safe-work clearance & a rig supply contract); b) NT EMP submission for Carpentaria-1's vertical frac; c) regional land access clearance for EEG's other tenement applications. Robust results from EEG's 2020/21 programs could evolve this latest prospective resource (P50) into a contingent resource (2C), better positioning the company to attract strong potential funding partners. Positive read-throughs from Beetaloo neighbours (Origin & Santos) are also likely to inject value.

Valuation of A$159m or $0.61/share

The recently released independent P50 resource upgrade of the McArthur-Beetaloo by Netherland, Sewell and Associates resulted in a 20% increase to our valuation to $0.61/share, using the RaaS 2Q20 commodity price deck and current share count of 263.3m. EEG has a number of event drivers over the coming 6-12 months which in our view hold potential to generate a sizeable uplift in NAV.

Historical earnings and RaaS Advisory estimates (in US$m)

Year end	Revenue (US$m)	Gross Profit (US$m)	NPAT reported (US$m)	OCFPS (AUD cps)	EPS Adj (AUD cps)	Price/Book (x)
12/18a	6.6*	1.9*	(5.3)*	(0.15)	(1.41)	23.4
12/19a	5.4	1.2	(12.0)	(4.12)	(9.29)	3.9
12/20e	4.7	1.4	(3.3)	1.32	(1.95)	6.1
12/21e	4.4	1.1	(3.7)	2.82	(2.22)	10.2

Source: Company data, RaaS Advisory Estimates for FY20e and FY21e *restated

Share details

ASX Code	EEG
Share Price	$0.29
Market Capitalisation	$76.4M
Number of shares	263.3M
Enterprise Value	~$75.9M
Gross cash	~A$11.3M
Sector	Energy exploration & Production
Free Float	~65%

Share price performance (12-months)

Upside Case

- Drilling proves Kyalla and Velkerri shale plays extend into EP187
- Drilling program proves the south-eastern extension of the Beetaloo Basin into EP187
- Drilling success generates high-value LT strategic partner & funding options

Downside Case

- McArthur-Beetaloo Basin EP 187 2Q 2020 drilling is unsuccessful, negatively impacting value of EP188
- Equity funding issues are encountered which require highly dilutive deals to be concluded
- Fracking success in NT/Qld pushes onshore energy prices to sub-economic levels

Catalysts

- Commencement of drilling at EP187
- Read-through on drill programs being conducted by Santos/Origin Energy in adjoining tenements

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Research as a Service

Exhibit 4: Financial Summary

EMPIRE ENERGY GROUP LTD		EEG		
YEAR END		Dec		
NAV	A$mn	$0.61		
SHARE PRICE	A$cps	0.29	Last price	16-Jun
MARKET CAP	A$mn	76		
ORDINARY SHARES	M	263		
OPTIONS	M	54		

COMMODITY ASSUMPTIONS		2018	2019	2020E	2021E
Realised oil price	US$/b	59.86	59.76	36.90	39.16
Realised gas price	US$/mcf	3.24	2.72	2.49	2.36
Exchange Rate	A$:US$	0.7452	0.6958	0.6389	0.6290

EARNINGS	US$000s	2018	2019	2020E	2021E
Revenue		6,593	5,397	4,656	4,407
Cost of sales		(4,723)	(4,189)	(3,305)	(3,325)
Gross Profit		**1,870**	**1,208**	**1,352**	**1,082**
Other revenue					
Other income		2,192	155	200	200
Exploration written off		0	0	0	0
Finance costs		(801)	(637)	0	0
Impairment		0	(6,512)	0	0
Other expenses		(8,399)	(6,052)	(4,950)	(4,985)
Profit before tax		**(5,138)**	**(11,838)**	**(3,398)**	**(3,703)**
Taxes		(115)	(135)	0	0
NPAT Reported		**(5,254)**	**(11,973)**	**(3,398)**	**(3,703)**
Loss on discontinued operations		(10,714)	(4,102)	0	0
NPAT Underlying		**(15,968)**	**(16,075)**	**(3,398)**	**(3,703)**

CASHFLOW	US$000s	2018	2019	2020E	2021E
Operational Cash Flow		**2,828**	**1,267**	**117**	**450**
Net Interest		(2,974)	(1,885)	0	0
Taxes Paid					
Other		(115)	(135)	(30)	(30)
Net Operating Cashflow		**(261)**	**(753)**	**87**	**420**
Exploration		0	0	(1,278)	(3,774)
PP&E		(49)	0	0	0
Petroleum Assets		(168)	(1,848)	0	0
Net Asset Sales/other		359	20,008	(337)	(670)
Net Investing Cashflow		**(120)**	**17,407**	**(1,528)**	**(4,024)**
Dividends Paid		0	0	0	0
Net Debt Drawdown		(7,878)	(18,497)	(1,238)	(550)
Equity Issues/(Buyback)		11,677	8,037	0	0
Other		0	0	0	0
Net Financing Cashflow		**3,785**	**(10,693)**	**(1,238)**	**(550)**
Net Change in Cash		**3,404**	**5,961**	**(2,678)**	**(4,154)**

BALANCE SHEET	US$000s	2018	2019	2020E	2021E
Cash & Equivalents		4,157	9,882	7,205	3,051
PP&E & Development		31,241	26,633	25,704	29,928
Exploration		0	141	127	114
Other Assets		28,673	2,993	991	1,495
Total Assets		**64,071**	**39,650**	**34,027**	**34,588**
Debt		24,369	6,481	5,243	4,693
Other Liabilities		18,332	19,504	20,846	25,212
Total Liabilities		**42,701**	**25,985**	**26,090**	**29,905**
Net Assets/Shareholders Equity		**21,370**	**13,665**	**7,937**	**4,683**
Net Cash/(Debt)		(20,211)	3,401	1,961	(1,643)
Gearing dn/(dn+e)		-33%			

nm = not meaningful
na = not applicable

NET PRODUCTION		2018	2019	2020E	2021E
Crude Oil	kb	127	89	3	3
Nat Gas	mmcf	1,834	1,778	1,748	1,731
TOTAL	**kboe**	**432**	**385**	**294**	**291**
Product Revenue	A$mn	14.0	10.3	4.5	4.3
Cash Costs	A$mn	(5.1)	(4.4)	(2.4)	(2.4)
Ave Price Realised	A$/boe	32.49	26.84	15.30	14.60
Cash Costs	A$/boe	(11.84)	(11.54)	(8.00)	(8.10)
Cash Margin		**20.65**	**15.29**	**7.30**	**6.50**

RESOURCES and RESERVES	Prospective Resources			
		P90	P50	P10
Northern Territory				
Gas				
Lower Kyalla Fm	Bcf	24	72	161
Barney Creek Fm	Bcf	1,633	11,053	45,380
Velkerri Fm	Bcf	1,283	2,339	4,751
Wollogorang Fm*	Bcf	524	1,185	2,371
TOTAL		**3,464**	**14,649**	**52,663**
Oil*				
Barney Creek Fm	Mb	66	174	403
Velkerri Fm	Mb	8	24	62
Wollogorang Fm	Mb	10	24	47
TOTAL		**84**	**222**	**512**
*Netherland, Sewell & Associates did not update the Wollogorang or Oil resource estimates				
		1P	2P	3P
US				
Gas	Bcf	24.3	34.4	38.2

EQUITY VALUATION	Risked Range (In A$M)			Risked Range Per Share (A$)		
NT	Low	Mid	High	Low	Mid	High
Gas	$74	$103	$222	$0.28	$0.39	$0.84
Oil	$33	$46	$99	$0.13	$0.18	$0.38
US Onshore						
Appalachian	$5	$10	$15	$0.02	$0.04	$0.06
	$112	**$159**	**$336**	**$0.43**	**$0.60**	**$1.28**
Net cash/(debt)	$5	$5	$5			
Corporate costs	($5)	($5)	($5)			
TOTAL	$112	$159	$336	$0.43	$0.61	$1.28

RATIO ANALYSIS		2018	2019	2020E	2021E
Shares Outstanding	M	2313	263	263	263
EPS (pre sig items)	UScps	(1.05)	(6.46)	(1.29)	(1.41)
EPS	Acps	(1.41)	(9.29)	(2.03)	(2.24)
PER	x	na	na	na	na
OCFPS	Acps	(0.15)	(4.12)	0.52	2.54
CFR	x	na	na	na	na
DPS	Acps				
Dividend Yield	%				
BVPS	Acps	1.2	7.5	4.7	2.8
Price/Book	x	23.4x	3.9x	6.1x	10.2x
ROE	%		na	na	na
ROA	%		na	na	na
(Trailing) Debt/Cash	x				
Interest Cover	x				
Gross Profit/share	Acps		6.6	8.1	6.6
EBITDAX	A$M	2.3	0.6	(2.0)	(2.3)

Source: RaaS Analysis

Lakes Oil

Promising Victorian gas play

Lakes Oil NL (LKO.ASX) is a junior energy explorer with assets across southern and eastern Australia (and PNG). The company has been listed on the ASX since December 1985. The outlook for Lakes extending through FY21 has the capacity to materially change the structure and base of the company. Left field success at Nangwarry-1 evaluating a CO2 play, potentially securing a partner for the Cape Vogel Basin project and most importantly the lifting of the Victorian exploration moratorium from 1-July-2021. LKO could commence a transition towards production, particularly given the development opportunity inherent at its Wombat Gas Project where the economics look favourable in a continuingly supportive operating environment. Crystallising the inherent value is dependent on successful drilling outcomes and the company's capacity to secure financing but certainly the opportunity set looks attractive with a number of potential event drivers through FY21.

Business model

Lakes Oil is a junior energy company with holding extensive acreage holdings across three Australian states (and PNG), dominantly focussed on exploring for gas. Although the portfolio consists of assets at an early exploration stage, the company is evaluating a CO2 supply option (at Nangwarry-1,) with the potential and continuing to seek a partner for its Cape Vogel Basin (PNG) project. Upon the lifting of the Victorian exploration moratorium (from1-Jul-2021), LKO should be in a position to reinvigorate and fast track its Wombat Gas Project, which on success, could be in production within 24 months of the resumption of activity.

Wombat gas project the key focus

With the Victorian government's moratorium against onshore exploration lifting in July-21, Lakes Oil will have the opportunity to revisit the gas potential inherent in the project. The first phase would likely involve drilling long lateral completions to demonstrate the potential for commercial gas production rates. The location within a gas infrastructure hub should ensure the commercial threshold is low and lead times commensurately short. What this project requires as a next step is drilling.

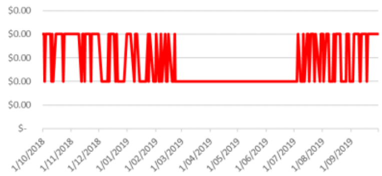
Valuation of $110m (0.3cps) at the mid-point

Valuing early phase exploration assets is a subjective exercise, particularly when work programmes and financing are uncertain. We base our indicative valuation on typical unit NPV values across a range of pricing scenarios on low and high resources estimates and apply discretionary probability weightings to pricing, volume and success factors, which we believe are reasonable given the commercial operating environment and available data. We assign a base case (mid-point) valuation of $110m (0.3cps) to LKO, with an upside case to $209m (0.6cps). **The reference share price (0.15cps) would suggest the market is appropriately weighting the asset base for the current operational and corporate risks.** We note the portfolio contains a number of event drivers over the next 6-12 months with the potential to upgrade and crystallise a significant increase in NAV above our upside case on success. LKO's share price has been in suspension since 30 September 2019 pending satisfying ASX requirements to complete and lodge its half-year 2019 accounts.. Since December 2019, the company has successfully raised $3.8m in convertible notes.

Share details

ASX Code	LKO
Share Price (suspended)	$0.0015
Market Capitalisation	$60.1M
Number of shares	33,337.5M
Enterprise Value	~$58M
Sector	Energy Exploration & Production
Free Float	47.3%

Share price performance (12-months to 30 Sept 2019)



Upside Case

- Nangwarry-1 CO2 project option crystallises with potentially short lead time to production
- Post moratorium, drilling success at Wombat-5 delivering a significant production opportunity deliverable within 24 months
- Success opens alternate financing options and restricts dilution

Downside Case

- Nangwarry-1 project options fail to materialise with impact across remainder of Otway Basin portfolio
- Delays in returning to Wombat appraisal and evaluation – there is a gas supply opportunity here
- Continuing financing through equity issues or high cost Convertible Notes – dilutionary effects rendering capitalisation meaningless

Catalysts

- Partnering and a return to drilling success
- Recapitalisation

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Exhibit 5: Financial Summary

LAKES OIL NL		LKO		
YEAR END		June		
NAV	A$mn	$115		
SHARE PRICE	Acps	0.15	currently suspended	13-Dec
MARKET CAP	A$mn	50		
ORDINARY SHARES	M	33,343		
OPTIONS	M	0		

nm = not meaningful
na = not applicable

COMMODITY ASSUMPTIONS		FY18A	FY19A	FY20E	FY21E
Realised oil price	US$/b				
Realised gas price	US$/mcf				
Exchange Rate	A$:US$				

RATIO ANALYSIS		FY18A	FY19A	FY20E	FY21E
Shares Outstanding	M	28,776	33,343	33,481	34,620
EPS (pre sig items)	Acps	(0.07)	(0.10)	(0.09)	(0.10)
EPS (post sig items)	Acps				
PER (pre sig items)	x	na	na	na	na
OCFPS	Acps	(0.08)	(0.07)	(0.07)	(0.06)
CFR	x	na	na	na	na
DPS	Acps				
Dividend Yield	%				
BVPS	Acps		0.5	0.4	0.3
Price/Book	x		30.7x	38.0x	47.0x
ROE	%	-15%	-21%	-23%	-30%
ROA	%	-15%	-16%	-13%	-16%
(Trailing) Debt/Cash	x				
Interest Cover	x				
Gross Profit/share	Acps				
EBITDAX	A$M	(2.0)	(3.3)	(3.1)	(3.3)
EBITDAX Ratio	%				

EARNINGS	A$000s	FY18A	FY19A	FY20E	FY21E
Revenue		12	19	18	6
Cost of sales		0	0	0	0
Gross Profit		**12**	**19**	**18**	**6**
Other revenue					
Other income		8	852	375	300
Exploration written off		0	0	0	0
Finance costs				(854)	(945)
Impairment					
Other expenses		(2,060)	(4,221)	(3,480)	(3,623)
EBIT		(2,052)	(3,369)	(3,105)	(3,323)
Profit before tax		**(2,040)**	**(3,349)**	**(3,087)**	**(3,317)**
Taxes		0	0	0	0
NPAT Reported		**(2,040)**	**(3,349)**	**(3,087)**	**(3,317)**
Underlying Adjustments					
NPAT Underlying					

CASHFLOW	A$000s	FY18A	FY19A	FY20E	FY21E
Operational Cash Flow		**(2,202)**	**(2,268)**	**(2,195)**	**(2,195)**
Net Interest		12	19	18	6
Taxes Paid					
Other					
Net Operating Cashflow		**(2,189)**	**(2,249)**	**(2,177)**	**(2,189)**
Exploration		(216)	(1,484)	(2,500)	0
PP&E		0	0	0	0
Petroleum Assets		0	0	0	0
Net Asset Sales/other		0	(155)	0	0
Net Investing Cashflow		**171**	**1,191**	**(2,125)**	**300**
Dividends Paid					
Net Debt Drawdown		(1,000)	0	0	0
Equity Issues/(Buyback)		3,783	2,241	(500)	990
Other					
Net Financing Cashflow		**2,712**	**2,241**	**4,716**	**86**
Net Change in Cash		**693**	**1,182**	**414**	**(1,804)**

BALANCE SHEET	A$000s	FY18A	FY19A	FY20E	FY21E
Cash & Equivalents		1,287	2,469	2,883	1,079
PP&E & Development		988	606	586	566
Exploration		11,195	16,765	18,965	18,965
Total Assets		**14,064**	**20,860**	**23,396**	**21,273**
Debt		0	0	6,030	6,935
Total Liabilities		**859**	**4,575**	**10,179**	**10,234**
Total Net Assets/Equity		**13,205**	**16,285**	**13,217**	**11,039**
Net Cash/(Debt)		1,287	2,469	(3,147)	(5,855)
Gearing dn/(dn+e)				19%	35%

PRODUCTION		FY18A	FY19A	FY20E	FY21E
Crude Oil	kboe				
Nat Gas	mmcf				
TOTAL	**kboe**				
Sales Volumes	**kboe**				
Product Revenue	A$mn				
Cash Costs	A$mn				
Ave Price Realised	A$/boe				
Cash Costs	A$/boe				
Cash Margin					

RESOURCES	Net to LKO			Contingent 2C	Prospective 2U	(G/O)IIP Best
Gippsland Basin - VIC						
Wombat Field	PRL 2		Gas (Bcf)	329		
Trifon Field	PRL 2		Gas (Bcf)	224		
Barragwanath	PRL 2		Gas (Bcf)		966	
Lakes Entrance	PRL 2		Oil (Mb)		0.6	
	PEP 166		Gas (Bcf)			1,704
Otway Basin – VIC						
	PEP 163				Nil Ascribed	
	PEP 167		Gas (Bcf)			156
Otway-1	PEP 169		Gas (Bcf)		60	
Focus Area	PEP 175		Gas (Bcf)		11,469	40,999
Otway Basin – SA						
Benara	PEP 154		Gas (Bcf)		25	
Benara East	PEP 154		Gas (Bcf)		15	
Nangwarry	PEP 155	50%	CO_2 (Mt)		1.4	
Sth Salamander	PEP 155		Gas (Bcf)		10	
Surat Basin – QLD						
Wellesley	ATP 1183		Gas (Bcf)		41	
Bendee	ATP 1183		Oil (Mb)			1.0
Major East	ATP 1183		Gas (Bcf)		14	
Emu Apple	ATP 1183		Oil (Mb)			3.4
Eromanga Basin – QLD						
	ATP 642		Oil (Mb)			0.05
	ATP 662		Oil (Mb)			0.5
Cape Vogel Basin – PNG						
Buna	PPL 560		Gas (Bcf)		3,084	
Buna West	PPL 560		Gas (Bcf)		189	
Kumasi North	PPL 560		Gas (Bcf)		255	
Kumasi South	PPL 560		Gas (Bcf)		179	
North New Guinea Basin – PNG						
Matapau	PPL 391/ APPL 622		Oil (Mb)			4.1

EQUITY VALUATION					
		Interest	Pr	A$mn	
Wombat/Trifon		Various		58	
Other Gippsland		100%		6	
PEP 169	inc Otway-1	49%		2	
PEP 175	inc 'Focus Area'	100%		11	
Other Otway (VIC)		100%		2	
PEP 155	inc Nangwarry	50%		8	
PEP 154		100%		2	
ATP 1183		100%		14	
Other Queensland		100%		2	
PNG		93%		8	
				114	
Net Cash/(debt)				2	
Corporate costs				(2)	P/NAV
TOTAL				115	0.00
				0.3	cps

Source: RaaS Analysis

Research as a Service

Ricegrowers (SunRice)

Proven resilience in diversification

Ricegrowers (ASX: SGLLV) trades as SunRice – one of Australia's most well-known food brands. SunRice is a global fast-moving consumer goods (FMCG) business and one of Australia's largest branded food exporters with more than 30 brands across 50 countries. SunRice is due to report its FY20 results in late June and has previously provided unchanged guidance that it expects full year FY20 revenue to be broadly in line with FY19 but for 2H FY20 NPAT to be lower than 1HFY20 NPAT. As we noted in our initiation report of late last year Quality Income from Branded Products, SunRice has built significant resilience into the business with its international footprint in rice supply and branded products. In our view, the company is well positioned to trade through the current challenging environment brought about by COVID 19 with leverage to upside from new consumer products emerging from the portfolio. Our sum-of-the-parts Compco valuation derived from listed peers and applying through-the-cycle multiples derives a mid-point valuation of $9.50/share.

Business model

SunRice is a market leader in both core rice and value-added rice products such as microwave rice meals, rice cakes, rice flour and has a growing presence in the healthy snacking category. The company is currently executing a second five-year strategic plan aimed at expanding its presence in the fast-growing healthy snacking category, capitalising on growing global demand for sushi rice, expanding the footprint for its branded low GI rice products and developing new markets for new rice-based, value-added ingredients.

Proven resilience in diversification

SunRice delivers a diversified portfolio of FMCG assets from rice and rice products to value-added equine, bovine and canine food products and a growing share of the entertainment platter. The company recently provided a comprehensive investor update which we highlighted in our report Diversified supply chain on display, guidance maintained. The update highlighted the launch of several new products from the Rice Food, CopRice and Riviana divisions over the next 12 months. In our view, SunRice's leadership in the rice industry together with its focus on diversifying its portfolio of food and produce assets will continue to underpin its resilience in the current climate. A strong balance sheet also positions it to make strategic acquisitions as they present.

SOTP compco valuation is $9.50/share

Our Sum-of-the-Parts Compco valuation range is $8.40-$10.59/share with the mid-point of $9.50/share. SunRice is trading at a PER discount of ~80% to a defined list of agricultural and food companies (median 12-mth trailing PER of 41x), a discount, which in our view is unjustified given its superior NTA (1HFY20 was $7.50) and yield (7.0%). **It should be noted that this valuation does not give any guarantee regarding SunRice's future financial performance, its outlook or its share price performance. It should also be noted that this is a valuation not a target price and the analysis belongs to RaaS alone.**

Historical earnings (in A$m)

Year end	Revenue (A$m)	EBITDA Adj.* (A$m)	NPAT Adj.* (A$m)	NPAT Rep.	EPS Rep. (c)	P/E (x)	DPS (c)	Yield (%)	NTA/share ($)
04/15a	1,238.1	111.1	52.5	43.4	77.9	6.7	31.0	5.9%	6.37
04/16a	1,265.9	110.4	52.0	49.1	87.9	6.0	33.0	6.3%	6.84
04/17a	1,109.3	75.3	37.5	34.2	61.3	8.6	33.0	6.3%	7.10
04/18a	1,174.0	94.3	43.6	42.7	75.9	6.9	33.0	6.3%	7.49
04//19a	1,189.5	85.8	40.1	31.5	54.5	9.6	33.0	6.3%	7.64

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items inc forex costs

Share details

ASX Code	SGLLV
Share Price	$5.25
Market Capitalisation	$313.4M
Number of shares	59.7M
Enterprise Value	$423.0M
Sector	FCMG/Agricultural
Free Float	~98%

Share price performance (12-months)

Upside Case

- Significant opportunity in Asian rice markets
- Proven ability to develop and expand brands, deliver new product initiatives through cycles
- Significant growth opportunities in healthy snacks, low GI and sushi rice

Downside Case

- Complicated corporate structure
- Poor harvests limit Rice Pool's ability to absorb fixed costs & overheads
- Competing with other crops for water allocation

Catalysts

- FY20 results, due June 26
- Evidence of successful launch of pre-school rice milk formula in FY21
- Return to "normal" rice harvests of ~500kt

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Exhibit 6: Historical Financial Summary

Ricegrowers t/a SunRice					
Profit and Loss (A$m)					
Y/E 30 April	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**
Sales Revenue	1,238.1	1,265.9	1,109.3	1,174.0	1,189.5
Total Revenue	1,245.1	1,269.6	1,112.2	1,176.9	1,192.6
EBITDA reported	102.0	107.5	72.0	93.3	77.2
EBITDA Adjusted*	111.1	110.4	75.3	94.3	85.8
Depn	(18.0)	(19.5)	(18.8)	(18.9)	(19.5)
Amort	(2.3)	(2.6)	(2.6)	(2.0)	(2.2)
EBIT Adjusted*	90.8	88.4	53.9	73.3	64.1
Interest	(11.2)	(12.3)	(10.3)	(9.3)	(8.4)
Tax	(21.5)	(21.2)	(6.1)	(17.7)	(15.6)
Minorities	(5.7)	(2.9)	(0.0)	(2.4)	(1.3)
Equity accounted assoc	0.1	0.1	0.0	(0.2)	1.3
NPAT Adjusted*	52.5	52.0	37.5	43.6	40.1
Adjustment for one time items	(9.1)	(2.9)	(3.3)	(1.0)	(8.6)
NPAT (reported)	**43.4**	**49.1**	**34.2**	**42.7**	**31.5**
Cash flow (A$m)					
Y/E 30 April	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**
EBITDA	102.0	107.5	72.0	93.3	77.2
Interest	(10.8)	(12.3)	(10.4)	(8.9)	(8.2)
Tax	(10.7)	(28.9)	(30.6)	(13.2)	(5.4)
Working capital changes	(44.9)	(37.6)	110.8	9.2	(72.7)
Operating cash flow	**35.7**	**28.7**	**141.8**	**80.5**	**(9.1)**
Mtce capex	(34.4)	(24.3)	(21.9)	(21.7)	(40.8)
Free cash flow	**1.2**	**4.4**	**119.9**	**58.7**	**(49.9)**
Growth capex	0.0	0.0	0.0	0.0	0.0
Acquisitions/Disposals	(4.1)	0.3	(2.4)	0.3	(5.7)
Other	0.0	0.0	0.0	0.0	0.0
Cash flow pre financing	(2.9)	4.7	117.5	59.0	(55.6)
Equity	(2.8)	(1.3)	(4.4)	0.9	0.7
Debt (Repayment less drawdown)	21.0	72.8	(157.8)	29.5	(46.0)
Dividends paid (inc non controlling interests)	(18.7)	(14.5)	(23.0)	(16.6)	(13.7)
Exchange rate adjustment	4.3	(12.0)	2.6	0.2	2.1
Net cash flow for year	0.9	49.7	(65.2)	73.0	(112.5)
Balance sheet (A$m)					
Y/E 30 April	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**
Cash	68.4	120.1	60.0	122.9	22.4
Accounts receivable	142.6	144.1	123.1	151.2	168.3
Inventory	495.1	453.5	371.6	506.8	361.4
Other current assets	0.4	0.0	8.6	4.0	3.4
Total current assets	*706.6*	*717.7*	*563.3*	*784.9*	*555.4*
PPE	217.6	218.0	218.0	217.7	239.7
Intangibles/Goodwill	8.5	8.8	9.1	9.0	14.1
Investments	3.0	2.8	2.9	2.6	5.7
Deferred tax asset	14.5	23.2	17.3	19.9	14.9
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Total non current assets	*243.6*	*252.8*	*247.2*	*249.3*	*274.5*
Total Assets	**950.2**	**970.6**	**810.5**	**1,034.2**	**829.9**
Accounts payable	103.0	119.3	101.5	129.1	134.1
Short term debt	117.6	218.0	65.8	86.2	39.5
Tax payable	22.8	22.2	0.8	1.1	5.7
Other current liabilities	197.5	123.6	132.5	272.9	89.6
Total current liabilities	*440.9*	*483.1*	*300.6*	*489.4*	*268.9*
Long term debt	104.9	79.6	79.1	79.2	92.5
Other non current liabs	40.5	17.7	25.9	31.5	5.6
Total long term liabilities	*145.4*	*97.2*	*105.0*	*110.7*	*98.1*
Total Liabilities	**586.3**	**580.4**	**405.6**	**600.0**	**367.0**
Net Assets	**363.9**	**390.2**	**404.9**	**434.1**	**462.9**
Share capital	107.8	107.8	107.8	111.9	122.9
Accumulated profits/losses	219.3	253.8	269.6	293.9	306.6
Reserves	17.4	9.4	4.6	4.0	7.4
Minorities	19.4	19.2	22.8	24.4	26.1
Total Shareholder funds	**363.9**	**390.2**	**404.9**	**434.1**	**462.9**

Share price (16 June 2020)						A$ 5.25
Interim (A$m)		**1H18**	**2H18**	**1H19**	**2H19**	**1H20**
Total Revenue		544.7	632.3	582.6	610.0	542.9
EBITDA Reported		51.2	42.1	35.3	41.9	31.8
EBIT reported		40.3	32.1	25.8	31.0	19.4
NPAT Reported		**24.1**	**21.1**	**13.8**	**19.0**	**12.5**
Minorities		(0.9)	(1.6)	(0.5)	(0.7)	2.4
NPAT attributable to B Class shareholders		**23.2**	**19.5**	**13.3**	**18.2**	**14.8**
EPS (attributable to B Class holders)		**41.4**	**34.5**	**23.3**	**31.8**	**25.3**
Dividend (cps)		0.0	33.0	0.0	33.0	0.0
Imputation		30.0	30.0	30.0	30.0	30.0
Operating cash flow		(37.7)	177.1	(56.3)	47.2	29.5
Free Cash flow		(50.0)	167.7	(76.9)	27.0	10.4
Divisions		**1H18**	**2H18**	**1H19**	**2H19**	**1H20**
Rev - Rice Pool		159.1	219.9	182.5	143.4	124.1
Rev - International Rice		217.4	239.3	208.7	273.7	235.1
Rev - Rice Food		55.3	51.7	52.6	47.1	49.8
Rev - Riviana		59.0	61.1	59.1	67.5	64.5
Rev - CopRice		52.4	58.7	77.9	76.7	67.5
Costs - Raw materials		(339.4)	(371.3)	(358.4)	(377.9)	(332.1)
Costs - Freight and distribution		(57.3)	(59.8)	(56.3)	(53.9)	(52.0)
Costs - Employee benefits		(68.9)	(71.4)	(74.1)	(69.4)	(74.2)
Other Operating Costs		(34.0)	(87.2)	(60.3)	(66.6)	(52.8)
EBITDA reported		51.2	42.1	35.3	41.9	31.8
Margins, Leverage, Returns		**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**
EBITDA		8.2%	8.5%	6.5%	7.9%	6.5%
EBIT		7.3%	7.0%	4.9%	6.2%	5.4%
NPAT pre significant items		4.2%	4.1%	3.4%	3.7%	3.4%
Net Debt (Cash)		154.1	177.4	84.9	42.5	109.6
Net debt/EBITDA (x)	(x)	1.5	1.7	1.2	0.5	1.4
ND/ND+Equity (%)	(%)	29.8%	31.3%	17.3%	8.9%	19.1%
EBIT interest cover (x)	(x)	0.1	0.1	0.2	0.1	0.1
ROA		10.1%	9.2%	6.1%	8.0%	6.9%
ROE		13%	13%	9%	10%	7%
ROIC		13%	11%	7%	11%	9%
ROCE		12%	18%	11%	14%	12%
NTA (per share)		**$ 6.37**	**$ 6.84**	**$ 7.10**	**$ 7.49**	**$ 7.64**
NTA per share growth		12%	7%	4%	5%	2%
NTA premium (discount) to price		21%	30%	35%	43%	46%
Working capital		534.7	478.3	393.2	528.9	395.6
WC/Sales (%)		**43%**	**38%**	**35%**	**45%**	**33%**
Revenue growth		8.8%	2.2%	(12.4%)	5.8%	1.3%
EBIT growth pa		41.8%	8.1%	(36.9%)	45.0%	(12.5%)
Pricing		**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**
No of shares (y/e)	(m)	55.8	55.8	55.8	56.2	57.8
Weighted Av Dil Shares	(m)	55.8	55.8	55.8	56.2	57.8
EPS Reported	cps	77.9	87.9	61.3	75.9	54.5
EPS Normalised/Diluted	**cps**	**94.2**	**93.2**	**67.3**	**77.6**	**69.4**
EPS growth (norm/dil)		76.8%	19.7%	(23.5%)	26.7%	(10.6%)
DPS	**cps**	**31.0**	**33.0**	**33.0**	**33.0**	**33.0**
DPS Growth		35%	6%	0%	0%	0%
Dividend yield		5.9%	6.3%	6.3%	6.3%	6.3%
Dividend imputation		30.0	30.0	30.0	30.0	30.0
Dividend payout ratio		32.9%	35.4%	49.1%	42.5%	47.6%
PE (x) based on EPS reported		**6.7**	**6.0**	**8.6**	**6.9**	**9.6**
PE market		15.6	15.6	15.6	15.6	15.6
Premium/(discount)		(56.8%)	(61.7%)	(45.1%)	(55.6%)	(38.2%)
EV/EBITDA		4.4	4.4	5.2	3.6	5.3
FCF/Share	cps	2.2	7.8	214.9	104.4	(86.3)
Price/FCF share		242.1	66.9	2.4	5.0	(6.1)
Free Cash flow Yield		0.4%	1.5%	40.9%	19.9%	(16.4%)

Source: Company Data, RaaS Analysis

Research as a Service

Shekel Brainweigh

Changing the face of retail technology

Shekel Brainweigh Limited (ASX:SBW) is an OEM supplier of accurate/fast weighing technology to Blue Chip clients the likes of GE Healthcare (Infant care), Toshiba and Fujitsu (self-checkouts). The group has a long history of market leadership in this space and has exclusive supplier status with these customers as a result. SBW is looking to extend its market leading technology into new verticals and has had some early success with developing several new innovations for the retail/FMCG space and in attracting global commercial partners. In our view, the core SBW business should trade on a 6x EBIT multiple, which on our FY20 forecast implies a valuation of A$27m ($0.195/share) against the current market cap of $9.1m. The current share price is implying a negative value for the investment in its new verticals despite impressive technology partners, early commercialisation success and significant R&D to date. On the COVID-19 front, the group has experienced minimal impact from the pandemic, reporting revenue in Q1 CY20 similar to Q1 CY19. With more than 70% of its revenues generated from retail self-checkout, we see the company able to weather the storm given the resilience seen in this sector thus far.

Business model

SBW produces weighing scale hardware/software that is employed by OEMs for self-checkout and healthcare applications requiring speed and accuracy. Prices received from customers are typically fixed, and gross margins are in-line with that achieved by most OEM equipment suppliers. The group is looking to extend this market leading technology into new verticals, opening up larger market opportunities, potentially higher gross margins and some recurring SaaS style revenue from data analytics. One of the new verticals (Innovendi vending machines) is in commercialisation while others are nearing commercialisation (The Sorter smart shelving and the Micro-market Capsule).

Changing the face of retail technology

Underpinned by its sustainable revenues and profits from its traditional weighing technology, Shekel Brainweigh embarked on the development of new verticals in retail technology four years ago and has had early success on the commercialisation of its Innovendi intelligent vending machines with orders generated both in Israel (1,200 over 7 years to Tnuva dairy group) and in the UK (4 machines sold and delivered to UK vending technology group SV365 Technologies). The company is currently trialling its Sorter smart shelving bays with product aware technology and its Micro-market capsule, developed in conjunction with Hitachi, which allows autonomous, contact-free shopping, with the view to bringing these to commercialisation later in calendar 2020. In our view, demonstrated sales of these products in Australia should deliver validation to investors and potentially lead to a rerating of Shekel Brainweigh's shares.

Base case valuation A$0.40/share fully diluted

Our base case DCF valuation is A$0.40/share ($55m). Based on sustainable earnings from the "traditional" scales business we believe there is a significant negative valuation being applied to the New Retail Division. SBW continues to trade at a significant discount to small cap hardware/software peers despite achieving strong sales, modest PBT losses (incorporating higher R&D spend) and multiple new product options.

Historical earnings and RaaS Advisory estimates on a reported basis

Year end	Revenue (US$m)	EBIT (US$m)	NPAT (US$m)	EPS (c)	PER (x)	EV/sales(x)
12/19a	18.8	(2.1)	(2.4)	(0.02)	nm	0.20
12/20e	19.8	(1.3)	(1.4)	(0.01)	nm	0.20
12/21e	25.8	1.9	1.1	0.01	3.1	0.15
12/22e	29.1	3.6	2.4	0.02	1.8	0.06

Source: Company Data, RaaS Advisory Estimates

Share details

ASX Code	SBW
Share Price	$0.067
Market Capitalisation	$9.3M
Number of shares	139M
Enterprise Value	~$5.6M
Sector	Technology – hardware/software
Free Float	~20%

Share price performance (12-months)

Upside Case

- Strong growth expected in the group's core self-checkout and healthcare markets
- New verticals have commenced commercialisation, with significant opportunities.
- Mix shift to recurring SaaS fees will increase gross margins and lower days receivables

Downside Case

- Low liquidity with ~20% free float
- Currency translation from USD and AASB16 adds complexity for investors
- Near term ROE likely to be impacted by R&D expenditure

Catalysts

- Sales of retail technology in Australia and globally
- Return to profitability without sacrificing R&D investment

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Exhibit 7: Financial Summary

Shekel Brainweigh (SBW.ASX)					
Profit and Loss (US$m)					
Y/E 31 Dec	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
Revenue	18.7	18.8	19.8	25.8	29.1
Gross profit	8.3	8.2	9.2	12.3	14.3
GP margin %	44.5%	43.7%	46.5%	47.9%	49.1%
EBITDA	(0.3)	(1.9)	(0.5)	2.7	4.4
Depn	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Amort	0.0	0.0	(0.7)	(0.7)	(0.7)
EBIT	(0.1)	(1.8)	0.3	3.6	5.3
Interest	(0.7)	(0.3)	(0.2)	(0.2)	(0.3)
Tax	0.1	(0.0)	0.2	(0.5)	(0.9)
Minorities	0.0	0.0	0.0	0.0	0.0
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0
NPAT pre significant items	(0.8)	(2.1)	0.3	2.8	4.1
Significant items	(0.4)	(1.2)	0.0	0.0	0.0
NPAT (reported)	**(1.2)**	**(3.3)**	**0.3**	**2.8**	**4.1**
Cash flow (US$m)					
Y/E 31 Dec	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
Adj EBITDA inc. rent	0.8	(0.7)	(0.5)	2.7	4.4
Interest	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)
Tax	0.0	0.2	0.1	(0.2)	(0.7)
Working capital changes	0.5	(0.9)	0.7	(2.0)	(1.0)
Operating cash flow	1.2	(1.6)	0.0	0.3	2.5
Mtce capex	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Free cash flow	1.0	(1.8)	(0.2)	0.1	2.2
Capitaised Software	(0.8)	(1.3)	0.0	0.0	0.0
Acquisitions/Disposals	(0.2)	(0.1)	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Cash flow pre financing	0.0	(3.2)	(0.2)	0.1	2.2
Equity	6.1	0.0	0.0	0.0	0.0
Debt	(0.4)	0.0	0.0	0.0	0.0
Net Dividends paid	0.0	0.0	0.0	0.0	0.0
Net cash flow for year	5.7	(3.2)	(0.2)	0.1	2.2
Balance sheet (US$m)					
Y/E 31 Dec	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
Cash	6.3	2.6	2.4	2.4	4.6
Accounts receivable	5.6	5.8	5.3	6.6	7.2
Inventory	3.2	3.5	3.7	5.0	5.8
Other current assets	2.0	1.5	1.6	2.0	2.2
Total current assets	*17.0*	*13.4*	*13.0*	*16.1*	*19.8*
PPE	0.5	0.6	0.6	0.7	0.8
Intangibles	2.0	3.2	2.6	1.9	1.3
Right of Use Asset	0.0	2.4	1.5	0.6	2.1
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other non current assets	0.2	0.0	0.8	2.1	2.9
Total non current assets	*2.7*	*6.2*	*5.5*	*5.4*	*7.0*
Total Assets	19.7	19.6	18.6	21.5	26.8
Accounts payable	1.9	1.5	1.9	2.5	2.8
Short term debt	4.0	4.1	4.3	5.6	6.3
Lease Liability	0.0	1.8	1.3	0.4	1.9
Other	1.4	2.6	2.7	3.5	4.0
Total current liabilities	*7.2*	*9.9*	*10.2*	*12.0*	*15.0*
Long term debt	0.0	0.0	0.0	0.0	0.0
Other non current liabs	0.3	0.3	0.3	0.3	0.3
Total long term liabilities	*0.3*	*0.3*	*0.3*	*0.3*	*0.3*
Total Liabilities	7.5	10.2	10.5	12.3	15.2
Net Assets	**12.3**	**9.5**	**8.1**	**9.2**	**11.6**
Share capital	7.7	7.7	7.7	7.7	7.7
Accumulated profits/losses	2.9	(0.5)	(1.9)	(0.8)	1.6
Reserves	1.3	1.8	1.8	1.8	1.8
Minorities	0.3	0.4	0.4	0.4	0.4
Total Shareholder funds	**12.3**	**9.5**	**8.1**	**9.2**	**11.6**

Share price (16 June 2020)					A$	0.07
Interim (US$m)	**H118A**	**H218A**	**H119A**	**H219A**	**H120F**	**H220F**
Revenue	8.8	9.9	8.4	10.4	8.2	11.6
EBITDA	0.2	(0.5)	(1.6)	(0.3)	(0.8)	0.3
EBIT	0.1	(0.6)	(1.7)	(0.4)	(1.2)	(0.1)
NPATA (normalised)	(0.0)	(1.1)	(1.6)	(0.9)	(0.8)	0.1
Adjustments	0.0	0.0	(0.5)	(0.8)	(0.3)	(0.3)
NPAT (reported)	(0.0)	(1.1)	(2.1)	(1.6)	(1.1)	(0.2)
EPS (normalised)	(0.000)	(0.010)	(0.011)	(0.006)	(0.006)	0.001
EPS (reported)	(0.000)	(0.010)	(0.015)	(0.012)	(0.008)	(0.002)
Dividend (cps)	0.000	0.000	0.000	0.000	0.000	0.000
Imputation	0.0	0.0	0.0	0.0	0.0	0.0
Operating cash flow	na	na	na	na	na	na
Free Cash flow	na	na	na	na	na	na
Divisionals	**H118A**	**H218A**	**H119**	**H219F**	**H120F**	**H220F**
Traditional Scales	8.8	9.9	8.4	10.4	6.7	9.9
New Retail	-	-	-	-	1.4	1.7
Total Revenue	**8.8**	**9.9**	**8.4**	**10.4**	**8.2**	**11.6**
Gross profit	3.3	5.1	3.8	4.4	3.7	5.5
Gross Profit Margin %	37.2%	51.0%	45.5%	42.2%	45.9%	46.9%
R&D	0.5	1.1	2.1	0.8	1.9	2.1
General & Admin & Other	2.2	2.6	3.0	3.0	2.7	3.0
One-off costs & Non-cash	0.3	1.8	0.4	0.9	-	-
Total costs	**3.1**	**5.6**	**5.4**	**4.7**	**4.6**	**5.1**
EBITDA	**0.2**	**(0.5)**	**(1.6)**	**(0.3)**	**(0.8)**	**0.3**
EBITDA margin %	2.1%	(5.1%)	(19.2%)	(3.0%)	(10.1%)	2.7%
Margins, Leverage, Returns		**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
EBITDA margin %		(1.7%)	(10.2%)	(2.6%)	10.6%	15.2%
EBIT margin %		(0.7%)	(9.4%)	1.6%	13.9%	18.2%
NPAT margin (pre significant items)		(4.2%)	(11.3%)	1.5%	11.0%	14.2%
Net Debt (Cash)		- 6.25	- 2.57	- 2.36	- 2.42	- 4.63
Net debt/EBITDA (x)	(x)	nm	nm	nm	nm	nm
ND/ND+Equity (%)	(%)	33.8%	21.4%	22.6%	20.8%	28.5%
EBIT interest cover (x)	(x)	n/a	n/a	74.6%	6.4%	4.7%
ROA		(0.6%)	(9.0%)	1.7%	17.9%	21.9%
ROE		(9.4%)	(25.9%)	(16.9%)	12.2%	20.6%
NTA (per share)		0.11	0.07	0.05	0.05	0.06
Working capital		6.9	7.8	7.1	9.2	10.1
WC/Sales (%)		**37.0%**	**41.6%**	**36.0%**	**35.5%**	**34.9%**
Revenue growth		2.4%	0.9%	5.3%	30.2%	12.7%
EBIT growth pa		nm	nm	nm	1017.0%	47.5%
Pricing		**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
No of shares (y/e)	(m)	113	139	139	139	139
Weighted Av Dil Shares	(m)	113	139	139	139	139
EPS Reported	US cps	(0.01)	(0.02)	(0.01)	0.01	0.02
EPS Normalised/Diluted	US cps	(0.01)	(0.02)	(0.01)	0.01	0.02
EPS growth (norm/dil)		nm	nm	nm	nm	71%
DPS	cps	0.000	0.000	0.000	0.000	0.000
DPS Growth		n/a	n/a	n/a	n/a	na
Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%
Dividend imputation		0	0	0	0	0
PE (x)		9.8	- 2.6	- 7.8	3.1	1.8
PE market		15.6	15.6	15.6	15.6	15.6
Premium/(discount)			(116.6%)	(150.0%)	(79.9%)	(88.2%)
EV/EBITDA		nm	nm	(5.9)	1.2	0.715
FCF/Share	US cps	(0.007)	(0.022)	(0.002)	0.000	0.016
Price/FCF share		(7.2)	(2.1)	(30.6)	107.2	3.0
Free Cash flow Yield		(13.9%)	(46.9%)	(3.3%)	0.9%	33.9%

Source: RaaS Analysis

Stealth Global Holdings

Offering national and international scale

Stealth Global Holdings Limited (ASX:SGI) is an international supply and distribution group providing a wide range of safety, industrial, workplace and healthcare consumable products and supply chain solutions to business customers across the resource, infrastructure, transport, construction and engineering sectors. The company generates ~80% of revenues in Australia through its Heatley's Australia business, is currently winding down its exposure to Africa and is developing a promising UK joint venture, BSA Brands, with David Gazal's Bisley Group. To date, the company has reported minimal impact from COVID-19 but lockdowns and COVID panic-buying are clearly risks for April and May. Management remains focused on the long-term strategy of 1) Growing the Australian business through service and penetration into new states, 2) Exiting low margin African sales and 3) Growing the BSA JV with Bisley in the UK. As we identified in our initiation report Going national and international of 22 July 2019, we see both earnings and "ratings" upside for SGI over the medium-term as reported numbers and growth options are better understood.

Business model

Stealth Global Holdings is an Australian multinational distribution group providing a wide range of safety, PPE, industrial, and workplace consumable products and supply chain solutions to business customers. As a supplier and distributor, Stealth offers a comprehensive assortment of essential products to support customers with purchasing options and solutions that are critical in the operation of their business. In addition to traditional wholesale supply and wide range distribution, Stealth seeks to establish preferred and/or exclusive sales arrangements with suppliers and/or customers, establishing a key point of differentiation with peers. Resulting volumes offer a virtuous circle of scale, operational efficiency and margin growth. For the past three half-years, Stealth has delivered pro-forma double digit revenue growth across its operations despite the stepback in its low margin African operations.

Offering national and international scale

Since listing in late 2018, Stealth's board and management team have wasted no time scaling the business both organically, through the BSA Brands JV in the UK, and through the acquisition of ISG which delivered an East Coast Australia presence to Heatley's. The Australian operations, which generate around 80% of revenues, have an "in-stock" essential services mantra and have reported strong sales for its everyday products early in the COVID-19 crisis. Despite near-term risks, we forecast solid growth in Australia and BSA more than offsetting declines in Africa.

Valuation of $0.27/share

Our DCF valuation is $0.27/share which implies an EV/Revenue multiple of 0.3x. On the current share price, the EV/Revenue multiple is 0.11x, an 80% discount to the basket of comparably sized peers we use. Inventory holdings alone are greater than the EV currently, which in our view does not reflect the market share potential we see SGI advancing. Australian operations continue to take share from incumbents while the BSA JV has strong long-term potential and is well structured.

Historical earnings and RaaS Advisory estimates

Year end	Revenue(A$m)	EBITDA (A$m)	NPAT (A$m)	EPS (c)	PER (x)	EV/REV (x)
Jun-19a #	62.8	2.1	0.5	0.01	nm	0.09
Jun-20e #	75.4	1.2	(0.2)	0.01	10.3	0.11
Jun-21e	85.5	4.0	2.3	0.02	2.9	0.07
Jun-22e	96.1	7.0	4.0	0.04	1.7	0.04

Source: Company Data, RaaS Advisory Estimates #reported

Share details

ASX Code	SGI
Share Price	$0.07
Market Capitalisation	$6.64M
Number of shares	94.9M
Enterprise Value	$8.0M
Sector	Wholesale distribution
Free Float	~60%

Share price performance (12-months)

Upside Case

- Service based model takes market share from incumbent players
- With size comes improved gross margins from buying and mix opportunities
- The opportunity to participate in national supply contracts for the first time

Downside Case

- Acquisitions fail to deliver expected revenues and/or synergies/efficiencies
- Larger competitors react with sharper price offerings
- Largest customer and/or supplier go direct

Catalysts

- Cleaner earnings base following the exit from Africa and 12-month ownership of Heatley's
- Demonstration of benefits from its national footprint

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Exhibit 8: Financial Summary

Stealth Global Holdings (SGI.AX)					
Profit and Loss (A$m)					
Y/E 30 June	**FY18A**	**FY19**	**FY20F**	**FY21F**	**FY22F**
Revenue	23.1	62.8	75.4	85.5	96.1
Gross profit	4.3	15.3	20.0	24.3	27.8
GP margin %	18.8%	24.4%	26.5%	28.4%	29.0%
Underlying EBITDA	(0.4)	2.1	1.2	4.0	7.0
Depn	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Amort	0.0	0.0	0.0	0.0	0.0
EBIT	(0.5)	1.9	1.0	3.7	6.7
Interest	(0.0)	(0.1)	(0.3)	(0.2)	(0.1)
Tax	0.0	(0.2)	(0.2)	(1.0)	(1.7)
Minorities	0.0	0.1	0.2	(0.3)	(0.9)
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0
NPAT pre significant items	(0.5)	1.7	0.6	2.3	4.0
Significant items	0.0	(1.2)	(0.9)	0.0	0.0
NPAT (reported)	**(0.5)**	**0.5**	**(0.2)**	**2.3**	**4.0**
Cash flow (A$m)					
Y/E 30 June	**FY18A**	**FY19**	**FY20F**	**FY21F**	**FY22F**
EBITDA (inc minority adj)	(0.4)	1.0	1.4	3.7	6.1
Interest	(0.0)	(0.1)	(0.3)	(0.2)	(0.1)
Tax	(0.2)	(0.6)	(0.3)	(0.6)	(1.3)
Working capital changes	1.6	(0.6)	(1.1)	(0.4)	(0.9)
Operating cash flow	1.0	(0.3)	(0.3)	2.5	3.8
Mtce capex	(0.1)	(0.3)	(0.4)	(0.4)	(0.5)
Free cash flow	0.9	(0.6)	(0.7)	2.0	3.3
Growth capex	0.0	0.0	0.0	0.0	0.0
Acquisitions/Disposals	(0.3)	(7.8)	(0.8)	(0.3)	0.0
Other	0.0	0.1	(0.4)	0.0	0.0
Cash flow pre financing	0.6	(8.4)	(1.8)	1.8	3.3
Equity	(0.1)	11.4	0.0	0.0	0.0
Debt	(0.4)	(1.3)	0.0	0.0	0.0
Net Dividends paid	0.0	0.0	0.0	0.0	(1.1)
Net cash flow for year	0.1	1.7	(1.8)	1.8	2.1
Balance sheet (A$m)					
Y/E 30 June	**FY18A**	**FY19**	**FY20F**	**FY21F**	**FY22F**
Cash	0.3	2.0	0.2	2.0	4.1
Accounts receivable	3.8	15.9	16.1	18.2	20.5
Inventory	0.3	6.3	7.3	7.8	8.8
Other current assets	0.1	0.6	0.6	0.6	0.6
Total current assets	*4.5*	*24.7*	*24.1*	*28.6*	*33.9*
PPE	0.2	0.6	0.8	0.9	1.1
Goodwill	0.5	6.9	7.1	7.1	7.1
Investments	0.0	0.0	0.4	0.4	0.4
Deferred tax asset	0.3	1.1	1.1	1.1	1.1
Other non current assets	0.3	0.0	0.3	0.3	0.0
Total non current assets	*1.2*	*8.6*	*9.7*	*9.9*	*9.8*
Total Assets	5.7	33.3	33.9	38.5	43.7
Accounts payable	5.6	16.3	16.5	18.7	21.0
Short term debt	0.6	1.8	1.8	1.6	1.6
Tax payable	0.0	0.0	0.0	0.0	0.0
Other	0.1	1.0	1.0	1.0	1.0
Total current liabilities	*6.2*	*19.2*	*19.3*	*21.3*	*23.6*
Long term debt	0.0	0.3	0.0	0.0	0.0
Other non current liabs	0.0	0.9	2.0	2.0	1.2
Total long term liabilities	*0.0*	*1.2*	*2.0*	*2.0*	*1.2*
Total Liabilities	6.2	20.4	21.3	23.4	24.8
Net Assets	**(0.6)**	**12.9**	**12.5**	**15.2**	**18.9**
Share capital	0.1	13.0	13.0	13.0	13.0
Accumulated profits/losses	(0.7)	(0.2)	(0.4)	1.8	4.7
Reserves	0.1	0.3	0.3	0.3	0.3
Minorities	0.0	(0.1)	(0.3)	0.0	0.9
Total Shareholder funds	**(0.6)**	**12.9**	**12.5**	**15.2**	**18.9**

Share price (16 June 2020)					A$	0.070
Interim (A$m)	**H118**	**H218**	**H119**	**H219**	**H120**	**H220F**
Revenue	na	na	24.3	38.5	39.7	35.7
EBITDA	na	na	0.9	1.2	0.5	0.7
EBIT	na	na	0.8	1.1	0.4	0.6
NPAT (normalised)	na	na	0.6	1.1	(0.1)	0.3
Minorities	na	na	(0.1)	0.2	0.2	0.0
NPAT (reported)	na	na	0.4	0.1	(0.9)	0.3
EPS (normalised)	na	na	na	0.002	(0.010)	0.003
EPS (reported)	na	na	na	0.002	(0.010)	0.003
Dividend (cps)	na	na	0.000	0.000	0.000	0.000
Imputation				30.0	30.0	30.0
Operating cash flow	na	na	na	na	na	na
Free Cash flow	na	na	na	na	na	na
Divisionals	**H118**	**H218**	**H119**	**H219**	**H120**	**H220F**
Australian Revenue	na	na	15.3	26.5	30.9	29.4
African Revenue	na	na	9.0	10.7	7.9	4.3
BSA			0.0	1.4	0.8	2.0
Total Revenue	**na**	**na**	**24.3**	**38.5**	**39.7**	**35.7**
Gross profit	na	na	7.7	7.6	10.1	9.9
Gross Profit Margin %	na	na	31.7%	19.8%	25.4%	27.8%
Employment	na	na	3.0	6.4	6.4	6.2
Admin	na	na	1.4	2.1	2.3	2.3
Occupancy/Other	na	na	0.7	0.8	0.9	0.8
Total costs	**na**	**na**	**5.1**	**9.3**	**9.6**	**9.3**
EBITDA	**na**	**na**	**2.6**	**(1.7)**	**0.5**	**0.7**
EBITDA margin %	na	na	10.7%	(4.4%)	1.3%	1.9%
Margins, Leverage, Returns		FY18A	FY19	FY20F	FY21F	FY22F
EBITDA margin %		(1.7%)	3.3%	1.6%	4.7%	7.3%
EBIT margin %		(2.1%)	3.0%	1.3%	4.4%	7.0%
NPAT margin (pre significant items)		(2.2%)	2.7%	0.9%	2.7%	4.2%
Net Debt (Cash)		0.29	0.14	1.67	(0.38)	(2.51)
Net debt/EBITDA (x)	(x)	nm	nm	nm	nm	nm
ND/ND+Equity (%)	(%)	32.8%	(1.1%)	(15.4%)	2.4%	11.7%
EBIT interest cover (x)	(x)	n/a	0.1x	0.3x	0.0x	0.0x
ROA		nm	9.7%	3.0%	10.4%	16.3%
ROE		nm	7.7%	(1.7%)	16.4%	23.4%
ROIC		nm	30.0%	19.6%	55.2%	47.8%
NTA (per share)		0.07	0.06	0.06	0.08	0.12
Working capital		-1.5	5.8	6.9	7.3	8.2
WC/Sales (%)		**(6.3%)**	**9.3%**	**9.1%**	**8.6%**	**8.6%**
Revenue growth		nm	172.2%	20.0%	13.4%	12.4%
EBIT growth pa		nm	nm	(47.5%)	277.2%	79.0%
Pricing		**FY18A**	**FY19**	**FY20F**	**FY21F**	**FY22F**
No of shares (y/e)	(m)	nm	77	95	95	95
Weighted Av Dil Shares	(m)	nm	77	95	95	95
EPS Reported	cps	nm	0.006	0.007	0.024	0.042
EPS Normalised/Diluted	cps	nm	0.006	0.007	0.024	0.042
EPS growth (norm/dil)		nm	nm	10%	252%	75%
DPS	cps	0.000	0.000	0.000	0.007	0.010
DPS Growth		n/a	n/a	n/a	n/a	43%
Dividend yield		0.0%	0.0%	0.0%	10.0%	14.3%
Dividend imputation		30	30	30	30	30
PE (x)			nm	10.3	2.9	1.7
PE market		15.6	15.6	15.6	15.6	15.6
Premium/(discount)			nm	(34.1%)	(81.3%)	(89.3%)
EV/EBITDA		nm	nm	5.8	1.7	0.7
FCF/Share	cps	nm	nm	(0.019)	0.019	0.034
Price/FCF share		nm	nm	(3.6)	3.7	2.0
Free Cash flow Yield		nm	nm	(27.5%)	27.1%	49.3%

Source: RaaS Analysis

Research as a Service

Total Brain

Creating human performance solutions

Total Brain (ASX:TTB) is the developer of a neuroscience-based mental health & fitness platform powered by the largest standardized neuroscientific database in the world formed over almost two decades and with more than $50m in R&D funding. In the past 30 months since Louis Gagnon took the helm as CEO, Total Brain has gained significant traction with corporate America, culminating in partnerships with IBM, Mental Health America, Everyday Health, American Association of Retired Persons, American Heart Association and more recently, the global not for profit employer coalition One Mind at Work. Total Brain and One Mind at Work recently launched their first US Mental Health Index, which is set to become the standard for corporates wanting to measure their progress and performance. We expect these partnerships, in particular the Thrive 360 partnership with IBM, to deliver an uplift in both profile and revenues to Total Brain over the next 12-24 months. Our base case DCF valuation is $1.27/share or $138m which captures just 5% penetration of the addressable market we have defined from these partnerships.

Business model

Total Brain operates a subscription as a service (SaaS) model for its mental health and fitness platform. The science behind the platform has been developed over almost two decades with input from the leading academic institutions in the field. This has generated a proprietary neuroscientific database of scale which underpins the scientific validation that differentiates Total Brain from other brain training and wellness applications. The app, promoted by affinity partners, assesses the four core brain capacities (emotion, feeling, cognition, self-control), pre-screens seven common mental health conditions and delivers personalised brain and mind/body training.

Creating human performance solutions

Total Brain has experienced heightened interest in its technology and demand for the IBM/Total Brain Mental Fitness 360 platform both within the US Veteran Affairs department as well as other sizable sales opportunities as a result of the COVID-19 pandemic. In the most recently completed quarter, the company increased its annual recurring revenue by $1.9m or almost 50% after signing seven new contracts including coverage of all the US employees of accounting firm BDO and a fortune 500 oil and gas group. The rollout of the IBM Thrive 360 platform to Veteran Affairs is expected to build over this calendar year after an initial delay in the March quarter due to the agency being swamped by COVID-19 challenges. Total Brain has noted that IBM is concurrently seeking other verticals for the platform. In light of recent commentary, we estimate that TTB is on track to meet our FY20 forecast for sales revenue of $5.4m.

Base case valuation is $138m or $1.27/share

We use the discounted cashflow methodology to value Total Brain, arriving at a base case valuation of $138m or $1.27/share. Our valuation reflects a 41% CAGR in free cashflows from 2023-2029. Using the same WACC, the current share price of $0.36 reflects an estimated 13.7% CAGR in free cashflows from 2023-2029. We expect further evidence of the success of the IBM Thrive 360 platform and takeup by One Mind at Work members will drive the share price in the near term.

Historical earnings and RaaS Advisory estimates (in A$m)

Year end	Revenue	EBITDA reported	NPAT reported	EPS* (c)	PER (x)	EV/Sales (x)
06/19a	2.6	(6.7)	(8.6)	(12.16)	na	6.2
06/20e	5.4	(6.8)	(7.0)	(7.80)	na	5.1
06/21e	12.3	(1.8)	(1.5)	(1.37)	na	2.5
06/22e	20.8	4.0	2.7	2.50	14.4	1.4

Source: Company data, RaaS Advisory Estimates for FY20e, FY21e, and FY22e * EPS normalised for one-time items

Share details

ASX Code	TTB
Share Price	$0.36
Market Capitalisation	$39M
Number of shares	108.3M
Enterprise Value	~$27M
Sector	Heathcare Services
Free Float	~57%

Share price performance (12-months)

Upside Case

- Highly scalable SaaS model
- Significant validation achieved over the past six months with major US organisations and companies adopting Total Brain's technology
- Targeting predominantly US corporates and consumers

Downside Case

- Need to sell at the Enterprise level which means a sales cycle of 9-12 months for the B2B product
- New consumer product still being fully trialled in market
- Commercial success to date has been elusive

Catalysts

- Further evidence of conversion of leads to B2C subscriptions and leads revenues
- Confirmation of more lead conversions with US corporates

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***The analyst holds shares**

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Exhibit 9: Financial Summary

Total Brain (TTB.AX)					
Profit and Loss (A$m)					
Y/E 30 June	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
Revenue	2.6	2.6	5.4	12.3	20.8
Gross profit	2.5	2.3	4.4	10.1	17.1
GP margin %	95.3%	87.8%	82.3%	82.3%	82.3%
EBITDA	(4.9)	(6.7)	(6.8)	(1.8)	4.0
Depn	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Amort	(0.1)	(0.4)	(0.3)	(0.4)	(0.4)
EBIT	(23.4)	(7.2)	(7.1)	(2.3)	3.6
Interest	(0.5)	0.0	0.1	0.2	0.2
Tax	0.8	0.0	0.0	0.6	(1.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Equity accounted assoc	(0.0)	0.0	0.0	0.0	0.0
NPAT pre significant items	(23.1)	(8.6)	(7.0)	(1.5)	2.7
Significant items	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	**(23.1)**	**(8.6)**	**(7.0)**	**(1.5)**	**2.7**
Cash flow (A$m)					
Y/E 30 June	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
EBITDA	(4.9)	(6.7)	(6.8)	(1.8)	4.0
Interest	0.0	0.0	0.1	0.2	0.2
Tax	0.0	0.0	0.0	0.0	(1.0)
Working capital changes	1.0	1.1	1.6	0.3	(0.6)
Operating cash flow	(3.9)	(5.6)	(5.0)	(1.3)	2.6
Mtce capex	0.0	0.0	(0.1)	(0.1)	(0.1)
Free cash flow	(3.9)	(5.6)	(5.1)	(1.4)	2.5
Growth capex	(1.7)	(2.7)	(2.1)	(2.0)	(2.0)
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0
Other	(0.1)	0.1	0.0	0.0	0.0
Cash flow pre financing	(5.7)	(8.2)	(7.2)	(3.4)	0.5
Equity	10.5	6.7	14.0	0.0	0.0
Debt	(0.1)	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Net cash flow for year	4.7	(1.5)	6.8	(3.4)	0.5
Balance sheet (A$m)					
Y/E 30 June	**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
Cash	6.6	5.2	11.8	8.3	8.9
Accounts receivable	1.3	0.8	0.7	1.4	2.2
Inventory	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.2	0.3	0.3	0.3
Total current assets	*8.0*	*6.2*	*12.8*	*10.0*	*11.3*
PPE	0.2	0.2	0.3	0.3	0.4
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangibles	14.7	14.9	15.5	17.1	18.7
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other non current assets	0.0	0.0	0.0	0.0	0.0
Total non current assets	*14.9*	*15.2*	*15.8*	*17.5*	*19.1*
Total Assets	22.9	21.4	28.6	27.5	30.4
Accounts payable	0.5	0.5	0.8	0.8	0.9
Short term debt	0.0	0.0	0.0	0.0	0.0
Tax payable	0.0	0.0	0.0	0.0	0.0
Deferred revenue	0.5	0.6	0.7	1.1	1.2
Total current liabilities	*1.0*	*1.1*	*1.5*	*1.9*	*2.1*
Long term debt	0.0	0.0	0.0	0.0	0.0
Other non current liabs	0.1	0.1	0.1	0.1	0.1
Total long term liabilities	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*
Total Liabilities	1.1	1.2	1.6	2.0	2.2
Net Assets	**21.8**	**20.2**	**27.0**	**25.5**	**28.2**
Share capital	58.1	64.8	78.5	78.5	78.5
Accumulated profits/losses	(40.2)	(48.8)	(55.8)	(57.3)	(54.6)
Reserves	3.9	4.2	4.3	4.3	4.3
Minorities	0.0	0.0	0.0	0.0	0.0
Total Shareholder funds	**21.8**	**20.2**	**27.0**	**25.5**	**28.2**

Share price (16 June 2020)					A$	0.36
Interim (A$m)	**H119A**	**H219A**	**H120F**	**H220F**	**H220F**	**H220F**
Revenue	1.1	1.5	2.2	3.2	4.9	7.4
EBITDA	(4.4)	(3.7)	(3.8)	(3.0)	(1.8)	(0.0)
EBIT	(4.5)	(4.0)	(3.9)	(3.2)	(2.0)	(0.2)
NPAT (normalised)	(4.5)	(4.1)	(3.9)	(3.1)	(1.4)	(0.1)
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	(4.5)	(4.1)	(3.9)	(3.1)	(1.4)	(0.1)
EPS (normalised)	(6.9)	(0.6)	(4.8)	(3.0)	(1.3)	(0.1)
EPS (reported)	(6.9)	(0.6)	(4.8)	(3.0)	(1.3)	(0.1)
Dividend (cps)	0.0	0.0	0.0	0.0	0.0	0.0
Imputation	30.0	30.0	30.0	30.0	30.0	30.0
Operating cash flow	(2.3)	(3.4)	(4.3)	(0.7)	(1.1)	(0.2)
Free Cash flow	(1.0)	(2.0)	(3.2)	0.3	(0.1)	0.8
Divisionals	**H119A**	**H219A**	**H120F**	**H220F**	**H220F**	**H220F**
B2B Revenue	0.9	0.9	1.1	1.8	2.3	3.6
B2C Revenue	0.1	0.2	0.2	0.5	1.7	2.8
Total Revenue	**0.9**	**1.1**	**1.3**	**2.3**	**4.0**	**6.5**
Gross profit	1.0	1.3	1.8	2.6	4.0	6.1
Gross Profit Margin %	106%	114%	143%	116%	102%	94%
Employment	2.8	2.7	3.7	3.7	3.9	4.1
Marketing	0.4	0.4	0.4	0.4	0.4	0.4
Other costs	1.2	1.3	1.5	1.5	1.5	1.6
Total costs	**4.4**	**4.4**	**5.6**	**5.6**	**5.9**	**6.1**
EBITDA	**(3.4)**	**(3.1)**	**(3.8)**	**(3.0)**	**(1.8)**	**(0.0)**
EBITDA margin %	nm	nm	nm	nm	nm	0%
Margins, Leverage, Returns		**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
EBITDA margin %		(186.7%)	(258.7%)	(126.1%)	(14.8%)	19%
EBIT margin %		(893.4%)	(274.8%)	(132.2%)	(18.3%)	17%
NPAT margin (pre significant items)		(882.9%)	(329.4%)	(130.6%)	(12.0%)	13%
Net Debt (Cash)		6.62	5.21	11.77	8.34	8.87
Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	2.19
ND/ND+Equity (%)	(%)	(43.6%)	(34.8%)	(77.4%)	(48.6%)	(45.9%)
EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	(4.6%)
ROA		(95.8%)	(32.3%)	(28.4%)	(8.1%)	12.4%
ROE		(124.4%)	(40.8%)	(29.7%)	(5.6%)	10.1%
ROIC		(162.5%)	(109.5%)	(167.9%)	(37.0%)	94.8%
NTA (per share)		41.0%	34.3%	24.9%	23.5%	26.0%
Working capital		82.8%	35.3%	(10.0%)	57.6%	129.1%
WC/Sales (%)		**31.6%**	**13.6%**	**(1.9%)**	**4.7%**	**6.2%**
Revenue growth		10.4%	(0.5%)	106.4%	129.5%	68.7%
EBIT growth pa		n/a	n/a	n/a	n/a	(258.4%)
Pricing		**FY18A**	**FY19A**	**FY20F**	**FY21F**	**FY22F**
No of shares (y/e)	(m)	53	59	108	108	108
Weighted Av Dil Shares	(m)	36	59	108	108	108
EPS Reported	cps	(6.38)	(14.53)	(7.61)	(1.37)	2.50
EPS Normalised/Diluted	cps	(12.98)	(12.16)	(7.80)	(1.37)	2.50
EPS growth (norm/dil)		n/a	n/a	n/a	n/a	nm
DPS	cps	-	-	-	-	-
DPS Growth		n/a	n/a	n/a	n/a	n/a
Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%
Dividend imputation		30	30	30	30	30
PE (x)		-	-	-	-	14.4
PE market		15.6	15.6	15.6	15.6	15.6
Premium/(discount)			(100.0%)	(100.0%)	(100.0%)	(7.9%)
EV/EBITDA		(5.3)	(2.4)	(4.0)	(16.7)	7.4
FCF/Share	cps	(7.3)	(9.6)	(4.6)	(1.2)	2.5
Price/FCF share		(4.9)	(3.8)	(7.8)	(30.8)	14.3
Free Cash flow Yield		(20.3%)	(26.6%)	(12.8%)	(3.2%)	7.0%

Source: RaaS Analysis

Appendix A: RaaS team bios

Finola Burke – Tech, Fintech, Agtech, Media, Industrials

- Top 3 rated Australian media – at Credit Suisse/No 3 ranking BRW survey of sell-side analysts
- Director Credit Suisse (5 years), Senior Analyst - Southern Cross Equities, Media Analyst - BNP Paribas
- 20+ years' experience in analysis and dissemination of relevant information across media, consumer discretionary, telecommunications, technology and industrials sectors
- 10 years' media industry experience as a financial journalist across several titles including *The Australian* and *The Australian Financial Review*

John Burgess – Industrials, Consumer Staples and Consumer Discretionary, Tech and Biotech/Healthcare

- Almost 25 years' experience as a senior equities' analyst focussed predominantly on retail, consumer services and manufacturing, packaging and more recently technology and biotech stocks
- Starmine No 1 Stock Picker Retail (2006)/ Starmine "Most Improved" Stockbroker Award (2009)
- Senior analyst and team leader roles for Consumer Services at Prudential Bache, BNP Paribas, Austock, Lodge Partners
- Several years as Head of Research at Austock

Scott Maddock – Industrials, Tech, Fintech, Healthcare, Property

- More than 20 years' experience as a Portfolio Manager
- Consistently delivered top 10 ranked performance for portfolios (measured by Mercer and Lonsec)
- Indepth coverage of several sectors including tech, media, telecoms, resources, industrial, healthcare

Melinda Moore – Resources (London-based)

- Voted one of the top 100 most influential Women in Mining 2013
- Director Credit Suisse (3 years), Director ICBC Standard Bank (6 years)
- Head of Iron Ore Analytics, BHP Shanghai/Singapore (3 years)
- China Chief Representative, Platts Steel Shanghai (3 years)
- 25+ years in finance, fin-tech and commodity markets, with a breadth of international experience, analytical and valuation skills and industry contacts

Andrew Williams – Resources

- Top 3 rated Oil & Gas Analyst
- Starmine No 1 Stock Picker Resources (2009)
- More than 20 years' experience in sell side analyst roles, four years in buyside roles, relevant industry experience
- Director Credit Suisse (8 years), Director Royal Bank of Canada (4 years)
- 12 years' industry experience: Schlumberger (Australia); Woodside Petroleum; Billiton; Mobil (Minerals)
- Concurrently Senior Consultant Analyst, Oil & Gas, Taylor Collison

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Appendix B: RaaS Coverage (Exchanges, Issuer Sponsored, Fund/Adviser Sponsored)

Exhibit 10: Companies covered by RaaS under NSX research scheme

Companies	Code
789 Holdings	789
A2A Global Network	A2A
Australian & International Holdings	AID
APN Regional Property Fund	APR
Circle International	CCH
CTG Fibersway International	CFW
East 72 Investments	E72
Heritage Brands	HBA
Jimmy Crow	JCC
Kaizen Global Investments	KGI
RFM Poultry	RFP
Ricegrowers	RGWB
Sapex Group	SAA
SenterpriSYS	SYS

Source: NSX data, RaaS

Exhibit 11: Companies covered by RaaS for PrimaryMarkets

Companies
AIRR
Arbortech
Blooms the Chemist
Imugene
Planet Group Holdings
Tyro Payments

Source: PrimaryMarkets data, RaaS

Exhibit 12: Fund/Adviser sponsored research

Companies	Code
Australian Whisky Holdings	AWY
DXN Ltd (as Data Exchange Network Holdings)	DXN
Galileo Mining	GAL
Vanadium Resources (as Tando Resources)	VR8

Source: RaaS

Exhibit 13: Companies covered, present and past, by RaaS via issuer sponsored research

Companies	Code
BetMakers Technology Group	BET
Cashwerkz*	CWZ
Cooks Global Foods*	CGF.NZ
Crowd Media Holdings*	CM8
DXN Ltd	DXN
Empire Energy Group	EEG
Lakes Oil	LKO
MSM International*	MSM
Mitula Group*	MUA
Ricegrowers t/a SunRice	SGLLV
Shekel Brainweigh	SBW
Stealth Global Holdings	SGI
Total Brain	TTB
Vault Intelligence Group*	VLT
Wisr*	WZR

Source: RaaS *Coverage ceased

All research is available for download from www.raasgroup.com.

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018

About Us

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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  - Securities
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  - Securities

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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)
In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

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