

Sales pipeline filling

Harvest Technology Group Limited (ASX:HTG) licenses its proprietary video compression and encryption technology for low-bandwidth, high-latency applications needing secure real-time streaming video communication. The company delivers solutions for data transfer from anywhere via satellite or congested networks. Harvest offers a solution which enables real-time monitoring of remote locations, real-time feedback for field technicians, and secure video conferencing. In 2022 Harvest has launched two new product platforms with further product developments expected. The company raised \$6.78m in March 2022 via a private placement in preparation for an increase in sales tempo and customer numbers. Harvest is on the verge of large-scale roll-out of the Infinity Nodestream secure video transmission product suite through reseller agreements with the major maritime satellite communications operators. The company has launched its own Remote Inspection Service (RiS) and a US business focused on enabling remote field technician support via real-time video over low-bandwidth networks and satellite. Finally, Harvest has successfully trialled Nodestream with Cisco's Webex video conferencing product. The company has a successful product and is now focused on converting these opportunities to revenue.

Business model

HTG offers products and solutions which enable real-time monitoring of remote locations, real-time feedback for field technicians, and secure video conferencing. HTG has two trademarked product platforms, Infinity Nodestream and Remote Inspection System (RiS). The company is on the verge of large-scale roll-out of the Infinity Nodestream secure video transmission product suite through reseller agreements with the major maritime satellite communications operators. It has also launched its own Remote Inspection System (RiS) and a US business focused on enabling remote field technician support via real-time video over low-bandwidth networks and satellite. The company has a Perth headquarters and has expanded over the past 12 months, establishing sales offices in the US and UK/EMEA regions. HTG is currently focused on converting a strong sales pipeline into customer wins.

Q1 FY23 shows continued growth in revenue

HTG reported continued growth (+34%) in recurring revenue and an +54% increase in booked revenue qoq. Q4 R&D expense was flat with other costs lower demonstrating increased attention on costs. Net operating cash outflow was unchanged from negative \$2.19m in Q4 with \$2.5m cash at bank and \$1.95m in committed placement proceeds and R&D rebates. Management remains cautiously optimistic of continued growth in the sales pipeline despite challenging economic conditions. Harvest's product set is becoming more relevant with geo-political tensions and cyber-attacks highlighting the need for secure communications.

Valuation base case unchanged at \$167m or \$0.28/share

Our valuation is based on the discounted cashflow methodology using a Beta of 1.47 and risk-free rate of 3.5%. We have modelled three cases differentiated by customer conversion rate, cost of hardware manufacture and licence fee received. Our downside case values HTG at \$123m, while we can estimate upside to \$347m. The crucial period to achieve sufficient momentum in sales to justify these valuations is in CY22 with results from Q3, Q4 and outlook supportive.

Historical earnings and RaaS estimates (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA reported	NPAT reported	EPS* (c)	EV/Sales (x)	Price/Book (x)
06/21a	8.3	(7.5)	(10.3)	(1.4)	3.2	0.79
06/22a	2.1	(11.0)	(14.5)	(2.5)	16.8	0.93
06/23f	8.0	(3.0)	(4.7)	(0.8)	4.8	0.98
06/24f	13.3	1.9	0.0	0.0	3.2	1.09

Source: Company data; RaaS Advisory estimates for FY23f and FY24f. FY22 revenue from discontinued vessel operations is excluded

Software & Services

2 November 2022

Share Details

ASX code	HTG
Share price (1-Nov)	\$0.07
Market capitalisation	\$41.2M
Shares on issue	588.9M
Net cash commitments 30-Sep-2022	\$4.1M
Free float	~57%

Share Performance (12 months)



Upside Case

- Fast conversion of current leads
- Strong Australian government take-up
- Inmarsat uses as part of key selling proposition for FleetXpress satellite service

Downside Case

- Lower conversion
- Slower take-up due to economic / COVID issues
- Difficulty in scaling / supply of hardware

Board of Directors

Jeffrey Sengelman	Non-Executive Chairman
Rod Evans	Non-Executive Director
Marcus Machin	Non-Executive Director
Stuart Carmichael	Non-Executive Director
Paul Guilfoyle	Managing Director/CEO

Company Contacts

Paul Guilfoyle CEO	+61 8 6370 6370
Jack Rosagro Comp. Sec.	+61 8 9482 0511
investor@harvest-tech.com.au	

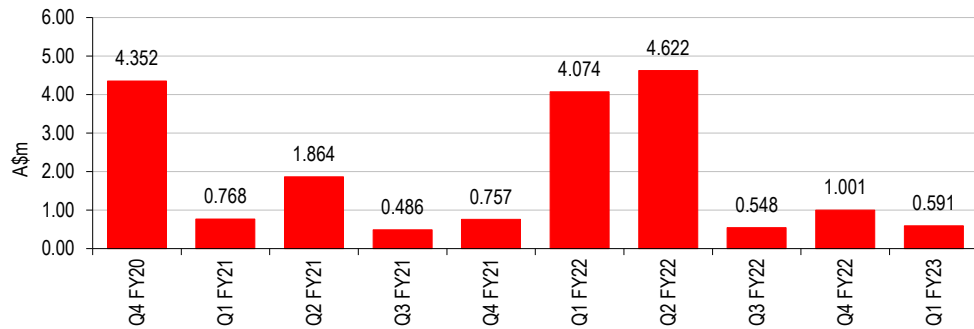
RaaS Contacts

Scott Maddock	+61 418 212 625 scott.maddock@raasgroup.com
Finola Burke	+61 414 354 712 finola.burke@raasgroup.com

Q1 FY23 Results Analysis

Harvest completed a transition away from operating vessels for remote projects to a video hardware and software focus in October 2021 leaving licensing of hardware and software currently the main sources of income. Quarterly receipts reflect the currently lumpy nature of project work for contract customers and the end of vessel operations which reduces both revenue and costs.

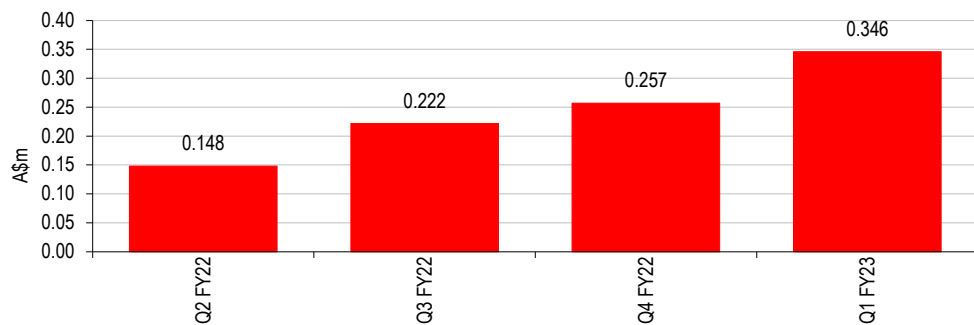
Exhibit 1: Quarterly receipts from customers (including discontinued operations)



Source: Company reports

The company reported good growth in monthly recurring revenue in June (Exhibit 2) and exceeded expected MRR for the quarter. Hereafter, MTG will report only quarterly revenue in accordance with Australian Accounting Standards as management believe the changing business mix means MRR is becoming less relevant.

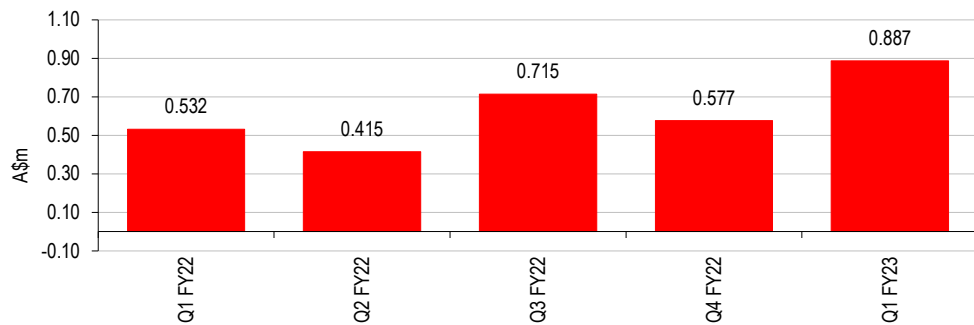
Exhibit 2: Monthly recurring revenue



Source: Company Q4 FY22 report. Monthly recurring revenue (MRR) represents a blended revenue figure across all Infinity products and services sold to customers

Harvest showed 67% yoy growth vs Q1 FY22 and 54% growth over the June quarter. Sales momentum continued after quarter end including an initial order with International Rescue for an initial bespoke solution using ruggedised Nodestream technology.

Exhibit 3: Quarterly revenue



Source: Company reports

Exhibit 4: Q1 FY23 versus previous quarters (in A\$m unless otherwise stated)

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23
Cash receipts	4.074	4.622	0.548	1.001	0.591
Payments to suppliers	(1.528)	(1.206)	(3.431)	(2.095)	(2.1870)
R&D	(1.084)	(0.935)	(1.070)	(1.200)	(1.197)
Other	0.000	0.000	0.000	0.000	0.000
Operating cash flow	(1.526)	(1.435)	(3.648)	(2.185)	(2.185)
Free cash flow	(1.526)	(1.435)	(3.648)	(2.185)	(2.201)
Net cash at the end of the period	4.006	5.171	6.961	4.5071	2.170
Monthly cash burn	(0.509)	(0.478)	(1.216)	(0.728)	(0.734)
Quarters of cash on hand	3	3	2	2	1

Source: Company data

Key Events In The Quarter

Events in the quarter included:

- 34.5% growth in monthly recurring revenue from June 2022;
- 53.8% growth in quarterly revenue from June 2022;
- A two-year contract with Vallianz Holdings Ltd initially for installation of Nodestream technology on a new vessel; and
- A second contract with Beach Energy Ltd to embed Harvest's technology in a smart buoy to capture and process data from subsea assets in near real-time.

Exhibit 5: Financial Summary

Harvest Technology Group Ltd						Share price (Date)		1/11/2022		A\$		0.07	
Profit and Loss (A\$m)						Interim (A\$m)		1H21 A	2H21 A	1H22 A	2H22 A	1H23 E	2H23 E
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Revenue		2.2	6.1	0.9	1.3	2.8	5.2
						EBITDA		(4.9)	(2.6)	(5.3)	(5.8)	(2.6)	(0.4)
						EBIT		(6.8)	(4.4)	(6.2)	(6.8)	(3.3)	(1.1)
						NPAT (normalised)		(6.3)	(4.0)	(6.7)	(6.9)	(3.5)	(1.2)
						Minorities		-	-	-	-	-	-
						NPAT (reported)		(6.3)	(4.0)	(7.2)	(7.1)	(3.5)	(1.2)
Sales Revenue	11.6	8.3	2.1	8.0	13.3	EPS (normalised)		(1.35)	(0.76)	(1.28)	(1.11)	(0.55)	(0.19)
Gross Profit	4.6	1.7	1.5	6.7	11.9	EPS (reported)		(1.37)	(0.76)	(1.35)	(1.21)	(0.59)	(0.21)
EBITDA	(2.7)	(7.5)	(11.0)	(3.0)	1.9	Dividend (cps)		-	-	-	-	-	-
Depn	(3.4)	(3.6)	(0.6)	(0.5)	(0.5)	Imputation		30.0	30.0	30.0	30.0	30.0	30.0
Amort	0.0	0.0	(1.2)	(0.9)	(0.8)	Operating cash flow		(3.6)	(5.5)	(3.2)	(5.9)	(2.6)	(0.9)
EBIT	(6.1)	(11.1)	(13.0)	(4.4)	0.5	Free Cash flow		(3.4)	(5.3)	(2.5)	(5.7)	(2.2)	(0.5)
Interest	0.0	0.0	(0.6)	(0.3)	(0.3)	Divisions		1H21 A	2H21 A	1H22 A	2H22 A	1H23 E	2H23 E
Tax	0.7	1.6	(0.1)	0.0	(0.2)	Revenue		0.0	0.0	0.8	1.5	2.8	5.2
Minorities	0.0	0.0	0.0	0.0	0.0	All Licenced Services ex Discontinued Marine Ops							
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	COGS		(2.7)	(3.8)	(0.2)	(0.4)	(0.6)	(0.6)
NPAT pre significant it	(5.7)	(10.2)	(13.7)	(4.7)	0.0	Employment		(3.0)	(3.5)	(2.9)	(2.9)	(3.0)	(3.0)
Significant items	(0.1)	(0.1)	(0.8)	0.0	0.0	Technology, licence fees		0.0	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	(5.8)	(10.3)	(14.5)	(4.7)	0.0	Other costs		(0.4)	(0.4)	(0.3)	(0.1)	(0.7)	(0.7)
Cash flow (A\$m)						EBITDA		(4.9)	(2.6)	(5.3)	(5.8)	(2.6)	(0.4)
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Margins, Leverage, Returns		FY20A	FY21A	FY22A	FY23F	FY24F	
EBITDA	(2.7)	(7.5)	(11.0)	(3.0)	1.9	EBITDA		n.a.	n.a.	n.a.	n.a.	14.1%	
Interest	(0.5)	(0.5)	(0.5)	(0.3)	(0.3)	EBIT		n.a.	n.a.	n.a.	n.a.	4.0%	
Tax	(0.2)	(0.0)	(0.1)	0.0	(0.2)	NPAT pre significant items		n.a.	n.a.	n.a.	n.a.	0.3%	
Working capital changes	2.3	(1.0)	2.6	(0.1)	(0.4)	Net Debt (Cash)		4.5	2.7	0.7	(3.4)	6.5	
Operating cash flow	(1.1)	(9.1)	(9.0)	(3.4)	0.9	Net debt/EBITDA (x)		(x)	n/a	n/a	n/a	3.5	
Mtce capex	(0.1)	(0.4)	(0.8)	(0.7)	(0.7)	ND/ND+Equity (%)		(%)	(56%)	(20%)	(6%)	34% (65.2%)	
Free cash flow	(1.2)	(9.4)	(9.8)	(4.1)	0.3	EBIT interest cover (x)		(x)	n/a	n/a	n/a	0.6	
Growth capex	0.0	0.0	(0.0)	0.0	0.0	ROA		n.a.	n.a.	n.a.	n.a.	3%	
Acquisitions/Disposals	(3.2)	(0.8)	(0.7)	0.0	0.0	ROE		n.a.	n.a.	n.a.	n.a.	0%	
Other	(0.6)	(0.2)	0.0	0.0	0.0	ROIC		n.a.	n.a.	n.a.	n.a.	5%	
Cash flow pre financing	(5.0)	(10.4)	(10.5)	(4.1)	0.3	NTA (per share)		0.02	0.01	0.00	n/a	0.02	
Equity	11.5	9.2	9.9	0.0	9.6	Working capital		(1.3)	(3.0)	0.6	0.7	1.2	
Debt	2.4	(2.8)	(0.8)	0.0	0.0	WC/Sales (%)		(11%)	(36%)	29%	9%	9%	
Dividends paid	0.0	0.0	0.0	0.0	0.0	Revenue growth		3630%	(28%)	(74%)	271%	67%	
Net cash flow for year	8.9	(4.0)	(1.5)	(4.1)	9.9	EBIT growth pa		n/a	n/a	n/a	n/a	-112%	
Balance sheet (A\$m)						Pricing		FY20A	FY21A	FY22A	FY23F	FY24F	
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	No of shares (y/e)		(m)	312	484	551	551	551
Cash	11.3	6.8	4.5	0.4	10.3	Weighted Av Dil Shares		(m)	318	721	582	582	
Accounts receivable	0.0	0.0	0.7	0.7	1.1	EPS Reported		cps	(1.9)	(2.1)	(2.6)	(0.9)	0.0
Inventory	0.1	0.2	0.6	0.2	0.2	EPS Normalised/Diluted		cps	(1.8)	(1.4)	(2.5)	(0.8)	0.0
Other current assets	1.1	6.6	0.8	0.8	0.8	EPS growth (norm/dil)			n.a.	-21%	74%	-68%	-101%
Total current assets	12.5	13.5	6.6	2.0	12.3	DPS		cps	-	-	-	-	-
PPE	3.4	0.5	1.4	1.6	1.7	DPS Growth			n.a.	n.a.	n.a.	n.a.	n.a.
Intangibles and Goodwill	7.8	10.3	9.1	8.2	7.4	Dividend yield			0.0%	0.0%	0.0%	0.0%	0.0%
Investments	0.0	0.0	0.0	0.0	0.0	Dividend imputation			30	30	30	30	30
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	PE (x)			-4.1	-3.6	-2.9	-9.0	965.9
Other non current assets	0.6	0.3	0.2	0.2	0.2	PE market			16.0	16.0	16.2	16.5	16.5
Total non current assets	11.8	11.1	12.2	11.5	10.8	Premium/(discount)			(126%)	(123%)	(118%)	(155%)	5768%
Total Assets	24.3	24.6	18.7	13.5	23.2	EV/EBITDA			-7.9	-4.0	-3.6	-13.8	24.5
Accounts payable	1.4	3.2	0.6	0.1	0.1	FCF/Share		cps	-0.4	-0.2	-1.6	-1.5	-0.5
Short term debt	2.6	0.5	0.1	0.1	0.1	Price/FCF share			-18.5	-37.6	-4.9	-5.2	-15.5
Tax payable	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield			(5.4%)	(2.7%)	(20.4%)	(19.3%)	(6.5%)
Other current liabilities	0.7	1.5	1.0	1.0	1.0								
Total current liabilities	4.7	5.2	1.9	1.4	1.4								
Long term debt	4.2	3.6	3.7	3.7	3.7								
Other non current liabs	2.8	0.0	1.7	1.7	1.7								
Total long term liabilities	7.0	3.6	5.4	5.4	5.4								
Total Liabilities	11.7	8.8	7.3	6.8	6.8								
Net Assets	12.6	15.8	11.4	6.7	16.4								
Share capital	12.6	15.8	43.4	43.4	53.0								
Accumulated profits/losse	0.0	0.0	(37.8)	(42.5)	(42.5)								
Reserves	0.0	0.0	5.9	5.9	5.9								
Minorities	0.0	0.0	0.0	0.0	0.0								
Total Shareholder func	12.6	15.8	11.4	6.7	16.4								

Source: Company data for actuals; RaaS analysis; FY22 Revenue excludes earnings from discontinued vessel operations

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: 6th May 2021



About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR. This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

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

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

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.

Professional Indemnity Insurance

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.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Harvest Technology Group Ltd prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise. The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend. Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2022 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.