

22 March 2021

## Zimi (ASX: ZMM formerly QFY\*)

### Repositioned for Growth

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#### Key Points

- ZMM is well positioned to capitalise on the Internet of Things (IOT) Smart Home market through their Zimi (cloud) and Powermesh (device) product suite which includes multi-purpose light switches, dimmers, fan, garage door and blind controllers.
- We see ZMM strongly growing revenues over the next 3 years, from a low base to ~\$4m FY'23F. We believe that ZMM will re-rate as they can demonstrate a platform of growth and demand for their IOT devices.

#### Overview

- **Products:** ZMM is primarily a provider of IOT smart home devices to improve comfort, energy management and safety around the home & office through their Zimi and Powermesh product suite.
- **Acquisition and Repositioning:** ZMM acquired Zimi \ Powermesh (GSM Innovations) in Sept-2020 issuing 240m shares at \$0.02 / share for an initial consideration of \$4.8m. They have developed their solutions in Australia over the previous 5 years and are set to commercialise the platform with their distribution partner Trader.
- **Trader:** is a distributor to more than 900+ electrical wholesalers throughout Australia including MMEM Group +300 stores, Sonepar +150 stores, Rexel +125 stores, and Middendorp +100 stores. Trader has already purchased 17,500 Zimi \ Powermesh devices which are set to be delivered in late FY'21F / early FY'22F.
- **Market:** Zimi addresses the IOT Smart Home market through the Lighting and Thermostat (temperature regulation) categories, which are globally estimated to grow to USD \$4.6Bn and USD \$8.3Bn in 2022 – they are the fastest growing segments in the smart home industry.
- There are ~10.1m dwellings in Australia with ~0.1m added each year. The average home uses ~10 Zimi \ Powermesh devices. If ZMM captured 1% of the market this would translate to ~\$80 – \$100m opportunity.
- **Board and Leadership:** The board is led by Chairman Mr. Simon Gerard, an industry leader with more than 30 years' experience in electrical & lighting wholesaling.
- **Peers:** There are several Internet of Things (IOT) players listed on the ASX including Homestay (HSC), Intelicare (ICR), Scout Security (SCT) and Buddy (BUD). In general, these IOT connected device companies in the GICS hardware Technology sub-industry tend to trade on 6 – 8x revenue, with the average being 6.9x.
- **Risks:** Zimi's suppliers are based in China, and with the recent shortages in computer chip output globally (due to COVID-19), there may be delays in the manufacturing and shipment of the initial purchase orders to Trader, which may affect the timing and recognition of revenue.

#### Speculative Buy

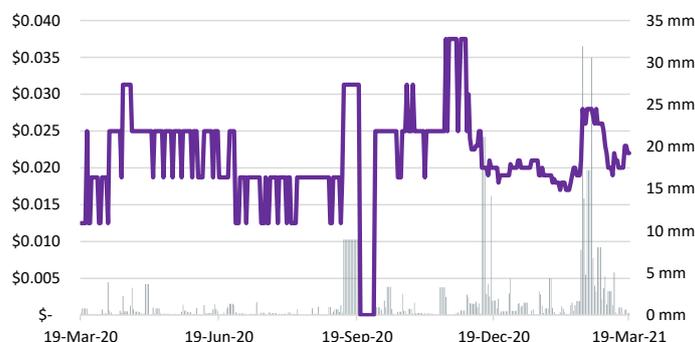
Risk Rating	Speculative
Current Share Price	\$0.021
Price Target (Valuation)	\$0.036
Total Return	71%
Market capitalisation (Diluted)	\$13m
Liquidity (Monthly Volume, value)	\$1.4m

#### Historical Financials & Metrics

June Y/e (\$'Ms)	FY'19A	FY'20A	FY'21F	FY'22F
Revenue	0.1	0.5	0.3	2.7
Growth	-91%	286%	-30%	715%
EBITDA	-5.0	-3.1	-2.6	-1.9
Margin	-4086%	-668%	-782%	-71%
EBIT	-5.1	-5.3	-3.0	-2.3
Margin	-4194%	-1134%	-895%	-85%
NPAT	-5.2	-5.5	-2.9	-2.3
EV / Sales	84x	22x	31x	4x
EV / EBITDA	NMF	NMF	(4x)	(5x)
P / E	NMF	NMF	(5x)	(6x)

Source: PAC Partners estimates

#### ZMM Share Price Performance & Volume



Source: PAC Partners, Data: Sentio

Disclaimer: Please refer to pg.12 for the full disclosure

\*Quantify Technology have [announced](#) an EGM to vote on rebranding to Zimi on 22<sup>nd</sup> April which we assume will be approved.

The information contained in this report is provided by PAC Partners to Wholesale Investors Only.

The information contained in this report is to be read in conjunction with other important disclosures at the end of this document.

## Company History and Overview

**History and Structure:** Zimi (formerly Quantify Technology, QFY) has been providing Internet of Things (IoT) hardware and software solutions for more than 5 years in the Australian market, and as a result are one of the leading IoT connected home suppliers. ZMM recently acquired and merged with GSM Innovations (GSM-I), a previously wholly owned subsidiary of Gerard Private. GSM-I trades under the name 'Zimi' for the cloud and software, and 'Powermesh' for hardware sold through Trader.

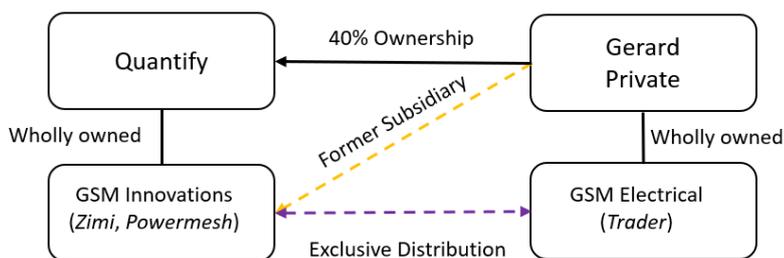
**GSM-I Acquisition & Merger:** ZMM acquired GSM Innovations in an all-scrip transaction in Sept-2020 issuing 240m shares at \$0.02 for initial consideration of \$4.8m, as well as two tranches of performance rights of 55m each (110m total).

**Trader & Distribution:** GSM Electrical with the brand name 'Trader' is a subsidiary of Gerard Private (previous owner of GSM-Innovations) and is the primary distributor into the electrical wholesale market for Zimi. The initial agreement is a three-year contract to sell and promote the Zimi (cloud) and Powermesh (device) product suite, to more than 900 electrical wholesalers across Australia (including MMEM Group, Sonepar, Rexel, and Middendorp).

Trader has initially ordered 17,500 devices, which are expected to be delivered late FY'21F / early FY'22F. Orders are expected to increase in the coming months. ZMM are also distributing through Beacon Lighting Group (ASX: BLX, MCap \$400m) under the trade name 'Lucci', as well as Steel-Line (Australia's largest garage door provider, Bunka Shutter, MCap \$80Bn) and Harvey Norman Commercial (ASX: HVN, MCap \$7Bn).

Trader provides access to more than 900 electrical wholesalers across Australia, with an initial purchase order of 17,500 units.

### Corporate Structure and Agreements



A customer typically purchases ~10 smart connected devices, for a total installation cost typically ranging in the range of \$2,000 - \$2,500 (including installation by a qualified electrician)

**Product Suite:** Zimi will produce a range of connected devices that must (under Australian law) be installed by an electrician (as opposed to consumer devices which can be self-installed e.g., smart bulbs or a Google Home). The product suite includes Multi-purpose Light Switches, Dimmers, Fan, Garage Door and Blind Controllers. The price range retails from A\$119 - A\$229, of which ZMM typically receives \$80 – 100 per unit from their distributors. Zimi devices also pair with Google and Alexa, to enable voice control.

**Competitive Advantage:** Zimi is expected to be patent protected through the registration of their 'Mesh & Go' technology, which enables the electrician to easily transfer a newly established network to the customer through a QR code card. Powermesh's advantage is in its reliability, simplicity (~15-minute installation per switch) and the ease with which it is installed by the electrician and can then be controlled via the switch and the smartphone app.

**Licensing Model:** Zimi is different because it has a white-label business model suited to expanding internationally. Retailers, OEMs and industrial companies are looking to utilise the benefits of connected products in terms of data insights, greater revenue, reduced costs and improved customer satisfaction. It is often cheaper for a company to licence the technology through Zimi rather than develop the technology in-house or to use a major branded player. Zimi's deal with Steel-Line paid for the development of the Garage Door Controller and Sensor which Steel-Line then sells and distributes. The devices (such as the Garage Door Controller) work on the entire Zimi platform which makes it more attractive to consumers because it works with a complete suite of Zimi products (as well as Google or Amazon).

## Market

ZMM is targeting the fastest growing sub-segments of the Smart Home Market: Lighting and Thermostat (temperature control)

**Smart Home Market Globally:** The Smart Home Device market is one of the fastest growing markets globally and is composed of 6 segments including: controls, lighting, temperature, entertainment systems, smart home appliances and security devices. The relevant sub-segments to Zimi are the Lighting category (Zimi \ Powermesh light switches) and Thermostat segments (blind and fan controller), which are estimated to be worth USD \$4.6Bn and USD \$8.3Bn respectively in 2022 – **and are the fastest growing sub-segments of the market.**

### Global Smart Home Market Device – Segment Values and Growth

Home Device Category	Est. Market Value – 2018 (\$USD)	Est. Market Value – 2022 (\$USD)	2018 – 2022 CAGR
Security	\$7.5 Bn	\$16.5 Bn	21.7%
<b>Lighting</b>	<b>\$1.8 Bn</b>	<b>\$4.6 Bn</b>	<b>27.0%</b>
Other	\$25.4 Bn	\$48.2 Bn	17.4%
Smart Speaker	\$11.8 Bn	\$27.8 Bn	23.7%
<b>Thermostat (Temp. Ctrl)</b>	<b>\$2.9 Bn</b>	<b>\$8.3 Bn</b>	<b>30.1%</b>
Video Entertainment	\$157.4 Bn	\$192.1 Bn	5.1%
<b>Total</b>	<b>\$206.8 Bn</b>	<b>\$297.5 Bn</b>	<b>9.5%</b>

Source: IDC Worldwide Quarterly Smart Home Device Tracker, June 2020

**Smart Home Market Australia:** [Statista](#) estimates the smart home market in Australia to be worth A\$3.5 billion in 2021 and is growing at a compound annual rate of 12% p.a. (slightly higher than the forecast global rate).

The market for Smart Home devices remains large with 10m homes in Australia. Our base case assumes ZMM services <0.2% of the addressable market.

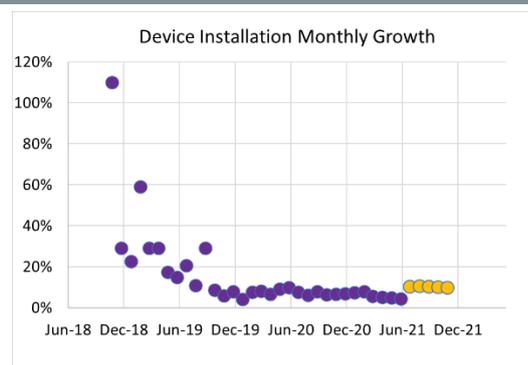
There are approximately 10.1 million dwellings in Australia, with an additional 0.1 million dwellings added each year. Zimi has been able to deploy ~7,000 Zimi smart home devices since launch in Jun-2018. The average home uses ~10 smart devices (initial demonstrations had a lower deployment rate) with ~2,500 currently homes using the Zimi \ Powermesh network.

### Zimi Total Device Installations



Source: PAC Partners Data: Company

### Device Installation - Monthly Growth



Source: PAC Partners Data: Company

ZMM has achieved strong monthly growth of ~7.0% per month over the last 12 months or +120% growth (YOY). We anticipate that the demand will continue to remain strong increasing from the current +300 units per month. Sales will continue to ramp with the purchase from Trader of 17,500 units anticipated to be delivered 1H FY'21F.

## Board and Management

**Mr. Simon Gerard appointed as a representative of Gerard Private with 30 years' experience in the electrical and lighting industry.**

The Board is led by Non-Executive Chairman Mr. Simon Gerard (appointed Dec – 2020). He is a substantial owner with 240m shares. Mr Gerard is the current CEO of Gerard Private, and former Executive General Manager of Clipsal Australia, which is Australia's number one manufacturer of lighting accessories and automation products. Clipsal was sold to Schneider Electric in 2003 for \$750m. The Gerard Family has over 100 year's history in the electrical lighting space.

Peter Rossdeutscher (Non-Executive director, appointed Oct – 2018) has an extensive background in technology transformation, professional services, innovation and entrepreneurship, governance and strategy.

Executive Director and CEO Mr. Brett Savill (appointed Oct – 2018) has a background in early-stage company development and commercialisation, particularly in technology, media, and telecommunications. He adds twenty-five years' experience across strategy, innovation, regulation, business development, start-up growth, and innovation to the Company.

Mr. Jordan Tentori (appointed Dec – 2020) is the Chief Technology Officer, and current Executive Director, with a background in the electrical and lighting industry. Jordan pioneered the introduction of LED technology into Australia.

### Board of Directors

Individual	Position	Appointed	Background
Mr. Simon Gerard	Non-Executive Chairman	Dec – 2020	Electrical and Lighting
Mr. Peter Rossdeutscher	Non-Executive Director	Oct - 2018	Innovation & Technology
Mr. Brett Savill	Executive Director, CEO	Oct – 2018	Commercialisation, TMT
Mr. Jordan Tentori	Co-Founder & CTO	Dec – 2020	Electrical and Lighting

Source: PAC Partners

### Senior Management

Management is led by group CEO and Executive Director Mr. Brett Savill (above), as well as Co-Founder (GSM-I) and CTO Mr Jordan Tentori appointed Dec – 2020.

Individual	Position	Appointed	Background
Mr. Brett Savill	Chief Executive Officer	Oct – 2018	Above
Mr. Jordan Tentori	Co-Founder & CTO	Nov – 2020	Above

Source: PAC Partners

## Capital Structure

Zimi Group Limited (ASX: ZMM) last raised capital through PAC Partners in Dec-2020 raising \$4.0m by issuing 200m shares at \$0.02 / share to fund the integration and expansion of GSM Innovations (Powermesh and Zimi). Prior to the Powermesh \ Zimi acquisition there was 2,001m shares on issue, which were consolidated at a rate of 25:2. Jointly with the capital raising there were a further 240m issued in the acquisition. There are now 600.7m shares outstanding.

ZMM issued 240m shares at a market value of \$0.02 / share to acquire GSM-Innovations (Zimi & Powermesh).

### Issued Capital: Recent Placement and Acquisition

Description	Shares \ Issued	Price	Raised	Date
Prior to Acquisition	2,009m	-	-	Oct-2020
Consolidation	160m	\$0.02	-	Dec-2020
Capital Raising	200m	\$0.02	\$4m	Dec-2020
Acquisition	240m	\$0.02	-	Dec-2020
<b>Total Outstanding</b>	<b>600.7m</b>	<b>\$0.02</b>	<b>\$12.0m</b>	<b>Feb-2021</b>

Source: PAC Partners Data: Sentio

**Performance Rights:** There are two tranches of performance rights outstanding for a total of 110m units available to Gerard Private. The first tranche of 55m will become eligible when Zimi has designed and developed the following glass fronted devices which must be controlled by the Zimi cloud platform and completed within 12 months of the acquisition: 1) dimmable light switches 2) General purpose power points 3) Blind controllers. The second tranche of 55m units will become available subject to 30,000 units of the Zimi \ Powermesh units being sold or achieving \$3m in sales within 12 months of the acquisition completing (which is Dec-2021).

**Options:** There are 104.7m options on issue, split into three tranches with different exercise prices. Prior to the acquisition and capital raising there were 79.7m options on issue, with 25m issued to the Lead Manager of the offer, PAC Partners (its staff and associates).

### Options on Issue:

Options	Units	Exercise Price	Date
Tranche 1	43.7m	\$0.125	Aug-2021
Tranche 2	36.0m	\$0.10	Feb-2022
Tranche 3 (PAC Partners)	25.0m	\$0.0001	Dec-2023

**Register:** There are two substantial shareholders, the largest Gerard Private Holdings Pty (Finance) (the former owner of GSM-Innovations and of which Mr. Simon Gerard is CEO) with 240m units or 40%, followed by institutional investor Perennial Value.

### Board and Substantial Investors:

Investor	Units	Ownership %
Gerard Private (former owner GSM Innovations)	240m	40.0%
Perennial Value Management	50m	8.3%
<b>Total Shares Outstanding</b>	<b>600.7m</b>	<b>100%</b>

The Board and Management control ~40%, and are strongly incentivised on the performance of ZMM

## Risks

**Manufacturing & Inventory Risk:** Zimi's manufacturing suppliers are based in China, and with the recent shortages in computer chip output globally (due to the COVID-19 pandemic), there may be additional delays in the manufacturing and shipment of Zimi's product suite. Delays in stocking of inventory, has the potential to adversely affect our growth and profitability forecasts over the short and medium term. The shortages may also affect the cost; however, computer chip price increases should largely be passed on through to distributors given it is an industry-wide problem.

**Competition Risk:** There are several substitute solutions in the Smart Home IOT connected space available to the end customer that are similar but different to Zimi & Powermesh. For example, customers could use Philips Hue, LIFX (Buddy) and GE Imagine which all use a light that are installed by the user and are controlled by the user's smartphone app. Powermesh is unique as it is installed by the electrician and can be controlled via the switch and the smartphone app. There are also commercial solutions by Schneider Electric (Clipsal) and HPM LeGrand. Increased competition (product discounting, bundling etc.) may materially impact our growth and profitability forecasts over the short to medium term.

**COVID-19 & Execution Risk:** The uncertainty from COVID-19 restrictions may slow ZMM's ability to market and develop their potential product pipeline. The duration of the social distancing restrictions, interstate restrictions or other restrictions inhibiting ZMM's ability to market and develop products remains uncertain. A prolonged continuation of the social distancing restrictions may materially impact our growth and profitability over the short term.

**Sales & Security Risk:** ZMM accumulates accurate data on individuals' (or families') personal habits and daily routines concerning interaction with the devices (connection and power consumption as opposed to Google Nest or Alexa, which accumulate more detailed personal information). Securely managing and storing this data, is critical to building trustworthiness and success in their brand, products, and services. A breach in data management may materially impact end consumers' perception of the brand which would impact sales, and ultimately may reduce forecast growth, revenue, and profitability.

## Peers

**Internet of Things Peers:** There are several Internet of Things (IoT) hardware and software service providers listed on the ASX.

For example, Homestay (HSC:AU) and Intelicare (ICR:AU) both provide a range of smart monitoring IOT enabled devices and sensors, used for predicting elderly patients' activity at home. However, neither of these smart home devices compete with ZMM's product suite.

Furthermore, Scout Security (SCT:AU) provides an IOT connected video door security device, however, this is installed by the consumer rather than a professional (e.g., locksmith). Buddy (BUD:AU) sells a range of IOT connected devices including LIFX which is their multi-coloured smart house-light, and Buddy Ohm their IOT platform for monitoring building energy usage. SIS is a software company focused on energy management, allowing customers to reduce their energy usage through data visualisation.

The key takeaway is that the IOT connected device companies in the Global Industry Classification Standard (GICS) hardware Technology sub-industry tend to trade on 6 – 8x revenue, with the average being 6.9x.

Melbourne based LIFX is the second largest smart home lighting providing globally (behind Philips).

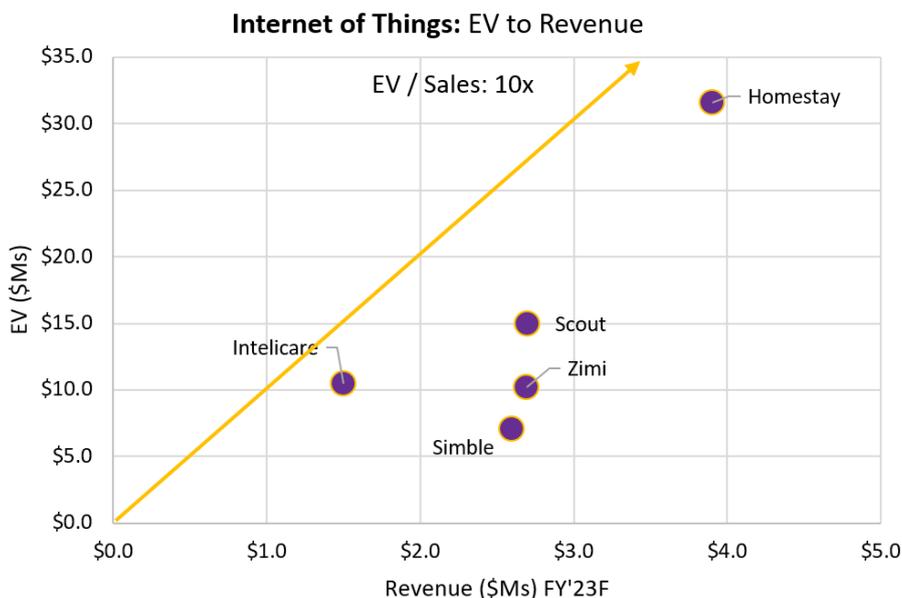
IOT connected device companies in the GICS Technology sector tend to trade on 6 – 8x revenue, with the average being 6.9x.

### ASX Listed IOT Peers

Internet of Things & SaaS							
ASX Code	ZMM:AU	HSC:AU	SCT:AU	ICR:AU	BUD:AU	SNS:AU	SIS:AU
Company Name	Zimi	Homestay	Scout	Intelicare	Buddy	Sensen	Simble
EV	\$10.2	\$31.6	\$14.9	\$10.5	\$131.7	\$113.7	\$7.0
MCap.	\$13.2	\$35.8	\$16.5	\$10.5	\$125.9	\$114.0	\$6.4
Cash	\$3.0	\$4.5	\$2.2	\$3.1	\$7.2	\$2.5	\$0.8
Sales FY'21F	\$0.3	\$3.3	\$2.0	\$0.5	\$33.3	\$6.4	\$2.5
Sales FY'22F	\$2.7	\$3.9	\$2.7	\$1.5	\$36.1	\$8.8	\$2.6
EV / Sales FY'21F	30.9 x	9.6 x	7.5 x	20.9 x	4.0 x	17.8 x	2.8 x
EV / Sales FY'22F	3.8 x	8.1 x	5.5 x	7.0 x	3.6 x	12.9 x	2.7 x
Forecast Growth	715%	18%	35%	200%	8%	38%	4%

Source: Companies | Data: Sentio

### Internet of Things: Peers



**IOT Peers:** In general, IOT based companies tend to trade on 6 – 8x forward sales if they can sustain high growth rates (+20%) and are operating at breakeven. As ZMM demonstrates strong sales growth, we expect their multiple to re-rate into the 6 – 8x range. Using FY'23F forecast revenue, ZMMs valuation (**discounted equity**) compares similarly to our DCF \$0.036 in the range of \$0.033 - \$0.043 / share.

#### SaaS Multiple Implied Valuation –

Metric	EV / Sales	EV / Sales
Multiple	6.0x	8.0x
Revenue FY'23F	\$3.9m	\$3.9m
EV	\$23.4m	\$31.3m
<b>Implied Equity Value</b>	<b>\$26.5m</b>	<b>\$34.3m</b>
WACC	10.0%	10.0%
<b>Discounted Equity</b>	<b>\$19.9m</b>	<b>\$25.8m</b>
Shares	600.7m	600.7m
<b>Equity Valuation (/share)</b>	<b>\$0.033</b>	<b>\$0.043</b>

Source: PAC Partners

## Financials & Valuation

**Revenue Growth:** We anticipate that revenue growth will be driven higher over the next 12 – 24 months as a result of continued growth in the number of Zimi and Powermesh power-points, controlling lights, fans, switches, garage doors, and blind controllers installed in residential homes. We expect growth in deployments through the distribution agreement with Trader (GSM Electrical) and their more than 900+ partnered electrical wholesalers across Australia including MMEM Group +300 stores, Sonepar +150 stores, Rexel +125 stores, and Middendorp +100 stores, as well as adoption through partnerships with distributors such as Beacon Lighting Group (ASX: BLX, MCap \$400m) under the trade name ‘Lucci’, Steel-Line (Australia’s largest garage door provider, Bunka Shutter, MCap \$80Bn) and Harvey Norman Commercial (ASX: HVN, MCap \$7Bn).

The second tranche of Performance Milestones is conditional on 30,000 Zimi / Powermesh units sold or \$3m in revenue within 12 months of the acquisition completing (corresponds to Dec-2021). At the current run-rate we see ZMM exceeding this target on a Purchase Order basis, with 17,500 units purchased by Trader in Mar-2021. We are forecasting +30,000 total unit sales in in the next 24 months based on the current ramp.

### Forecast Product Revenue

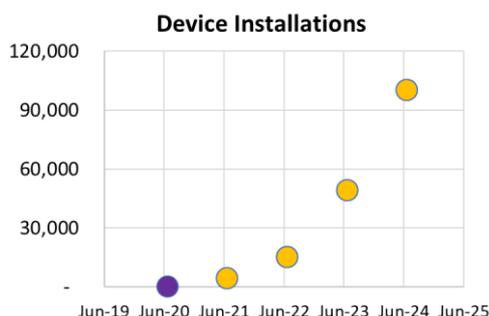
Metric	FY’21F	FY’22F	FY’23F	FY’24F
New Installations	~4,000	~15,000	~50,000	~100,000
Revenue	\$0.3m	\$2.7m	\$3.9m	\$8.0m
Growth	-	~260%	~226%	~100%

Zimi will recognise revenue ahead of new installation deployments (as devices are sold to distributors).

We anticipate that both cost and pricing will trend downwards annually with decreases of ~5% p.a. We believe Zimi will be able to maintain their gross margin between 17.5% – 22.5% with prices initially in the range of A\$119 – A\$229 (sold to Trader ~\$85 per unit). In our base case scenario, we have assumed that customers start from a low base and then grow at a non-linear rate as adoption is realised through commercial partnerships.

On a market share basis, the average home uses ~10 Zimi devices, and over the 4-year forecast period to FY’24F we estimate that ~170,000 devices will be installed corresponding to ~17,000 homes or 0.2% of all houses \ dwellings in Australia (10.4m).

### Device Installations



### Revenue Growth



Potential for licencing deals represents upside to our forecast scenario.

In the longer term, we see the potential for ZMM to licence their Zimi & Powermesh platform to larger international industrial suppliers, similar to Scout Security (ASX: SCT). SCT licenced their IOT door video security devices to Stanley Black & Decker and Prosegur. ZMM is currently selling their product in a white label format through Beacon Lighting under the trade name ‘Lucci’ and the Garage Door Controller’s development costs were paid for by Steel-Line.

**Margins:** ZMM generates significant operating leverage from their platform. We forecast that cash Operating Expenses to maintain in the range of ~\$2.25m – ~\$2.75m over the next 12 – 24 months, as a result of cost initiatives implemented. ZMM generates ~20% gross margins on their product sold to Trader and their other distributors. ZMM will achieve EBITDA breakeven with ~\$15m in sales. We anticipate Trader to gradually decrease pricing on their products, but as order volumes increase with ZMM's manufacturing partner we anticipate margins to improve.

**Capital Expenditure:** ZMM has minimal PPE expenditure, and software expenditure, because manufacturing is outsourced to their supplier in China.

**Capital Requirements:** We forecast ZMM to generate significant revenue growth, however the initial base is low, and we estimate that ZMM will require external capital in FY'22F & FY'23F of \$4m each to achieve their growth trajectory.

#### Results from DCF 2021F – 2025F

DCF Analysis:	
Explicit Cash Flows 2021 – 2025	-7.3
Terminal Value 2026+	25.8
Total Operating Value	18.5
Net Debt (Cash)	-3.0
<b>Value to Equity Holders</b>	<b>21.5</b>
Shares on Issue	601
<b>Value Per Share</b>	<b>0.036</b>
ASX: ZMM	0.021
<b>Premium (Discount)</b>	<b>71%</b>
Discount Rate	10%
Terminal Growth Rate	6.0%
Explicit Cash flows % Total Value	-39%
Terminal Cash flows % Total Value	139%

Source: PAC Partners Estimates

**Sensitivity Analysis:** Our base case valuation assumes that ZMM can achieve sales of ~100,000 units of their Zimi and Powermesh power-points, controlling lights, fans, switches, garage doors, and blind controllers installed to residential homes in FY'24F. However, if ZMM's customer adoption is faster than expected and grows to 150,000 installations (price ~\$80 /unit), our valuation would increase to \$0.076 / share. If the average price that ZMM receives is \$100 / unit from Trader (100,000 sales \ installations), rather than \$80, our valuation would increase to \$0.056 / share.

#### Sensitivity Analysis: Zimi Device Installations and Unit Pricing

Zimi \ Powermesh Unit Pricing	Zimi Device Installations FY'24F					
		75,000	100,000	125,000	150,000	175,000
\$ 70.00		0.008	<b>0.026</b>	0.043	0.061	0.079
<b>\$ 80.00</b>		<b>0.016</b>	<b>0.036</b>	<b>0.056</b>	<b>0.076</b>	<b>0.097</b>
\$ 90.00		0.023	<b>0.046</b>	0.069	0.091	0.114
\$ 100.00		0.031	<b>0.056</b>	0.081	0.107	0.132
\$ 110.00		0.038	<b>0.066</b>	0.094	0.122	0.150

## Financial Projections

<b>Code</b>	QFY:AU	<b>Rating:</b>	Spec Buy
<b>Date:</b>	Mar-21	<b>DCF Valuation:</b>	0.036
<b>Share Price</b>	0.021	<b>Valuation Method:</b>	DCF
<b>Market Capitalisation \$m:</b>	13	<b>Risk:</b>	Speculative
<b>FY End</b>	June	<b>Shares on Issue:</b>	601

<b>Income Statement</b>	<b>FY'19A</b>	<b>FY'20A</b>	<b>FY'21F</b>	<b>FY'22F</b>	<b>FY'23F</b>
<b>Revenue - Total</b>	0.1	0.5	0.3	2.7	3.9
CoGs	0.1	0.4	0.3	2.1	2.9
<b>Gross Profit</b>	0.0	0.1	0.1	0.6	1.0
Operating Exp.	5.0	3.2	2.6	2.5	2.6
<b>EBITDA</b>	-5.0	-3.1	-2.6	-1.9	-1.6
D&A	0.1	2.2	0.4	0.4	0.4
<b>EBIT</b>	-5.1	-5.3	-3.0	-2.3	-2.0
Interest Expense	0.1	0.1	0.0	0.0	0.0
<b>EBT</b>	-5.0	-5.2	-2.9	-2.3	-2.0
Tax Expense - Ad	-0.2	-0.3	0.0	0.0	0.0
<b>NPAT - Norm.</b>	-5.2	-5.5	-2.9	-2.3	-2.0
One-off (Impair)	0.0	-5.4	0.0	0.0	0.0
<b>NPAT Reported</b>	-5.2	-10.9	-2.9	-2.3	-2.0

<b>Balance Sheet</b>	<b>FY'19A</b>	<b>FY'20A</b>	<b>FY'21F</b>	<b>FY'22F</b>	<b>FY'23F</b>
Cash & Equivaler	0.8	0.7	3.0	2.3	4.6
AR, Total	1.9	1.1	1.1	2.7	2.0
Inventory	0.0	0.0	0.3	0.4	0.6
Other - CA	0.0	0.0	0.0	0.0	0.0
PPE & Use Asset	0.2	0.4	0.3	0.3	0.4
Intangible	7.9	0.1	6.9	6.8	6.9
<b>Non-Current Asse</b>	8.1	0.5	7.2	7.1	7.3
<b>Total Assets</b>	10.8	2.3	11.6	12.5	14.4
Payables	0.9	0.8	2.9	2.8	2.7
Leases & Debt	1.1	0.9	0.1	0.1	0.1
Other - CL	0.2	0.2	0.2	0.2	0.2
Other - NCL	0.0	0.1	0.1	0.1	0.1
<b>Total Liabilities</b>	2.2	2.0	3.2	3.2	3.1
Common Stock	31.7	34.7	42.8	46.8	50.8
Earnings (Loss)	-26.4	-34.4	-37.4	-39.6	-41.6
Reserves	3.4	0.1	2.9	2.2	2.2
<b>Total Equity</b>	8.6	0.3	8.3	9.4	11.4

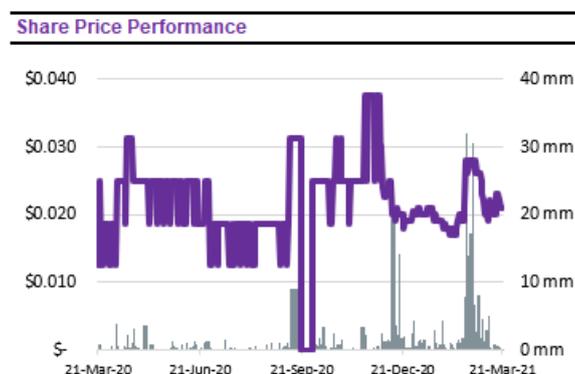
<b>Cash Flow</b>	<b>FY2019</b>	<b>FY'20A</b>	<b>FY'21F</b>	<b>FY'22F</b>	<b>FY'23F</b>
EBITDA	-5.0	-3.1	-2.6	-2.7	-1.6
ΔNWC	0.6	-0.4	1.8	-1.7	0.5
Interest Expense	0.1	0.1	0.0	0.0	0.0
Taxes	-0.2	-0.3	0.0	0.0	0.0
<b>Cash Operations</b>	-4.5	-9.1	-0.8	-4.4	-1.1
CapEx. - Software	-0.6	-0.7	-0.1	-0.3	-0.6
Investing, Other	0.0	0.0	0.0	0.0	0.0
<b>Invest. Cashflow</b>	-0.6	-0.7	-0.1	-0.3	-0.6
Movement Debt, I	0.0	-0.5	-0.8	0.0	0.0
Equity Issue, Net	0.0	3.5	4.0	4.0	4.0
Other	0.0	-0.3	0.0	0.0	0.0
<b>Finance Cash.</b>	0.0	2.7	3.2	4.0	4.0

<b>Multiples</b>	<b>FY'19A</b>	<b>FY'20A</b>	<b>FY'21F</b>	<b>FY'22F</b>	<b>FY'23F</b>
EV/Sales	79.0x	20.4x	29.0x	3.6x	2.5x
EV/EBITDA	NMF	NMF	(3.7x)	(5.0x)	(6.0x)
EV / EBIT	NMF	NMF	(3.2x)	(4.2x)	(4.8x)
P / E	NMF	NMF	(4.3x)	(5.6x)	(6.4x)
EV / FCFF	NMF	NMF	(10.7x)	(2.4x)	(5.7x)

<b>Profitability Ratios and Growth</b>					
Growth	-91%	286%	-30%	715%	45%
Gross	23%	23%	20%	23%	25%
EBITDA	-4086%	-668%	-782%	-71%	-41%
EBIT	-4194%	-1134%	-895%	-85%	-52%
Net Profit	-4282%	-1170%	-887%	-84%	-51%
Eff. Tax	-4%	-5%	0%	0%	0%

<b>Return Ratios</b>					
ROIC	NMF	-35%	-60%	-25%	-19%
ROE	NMF	-123%	-68%	-25%	-19%

<b>DCF Analysis</b>	
Explicit Cash Flows 2021-24	-7.3
Terminal Value 2025	25.8
Total Operating Value	18.5
Cash and Equivalents	3.0
Total Debt and Equivalents	0.0
Net Debt	-3.0
Minority Interest	0.0
<b>Value to Equity Holders</b>	<b>21.5</b>
<b>Shares on Issue</b>	<b>600.7</b>
<b>Value Per Share</b>	<b>\$0.036</b>
<b>QFY:AU</b>	<b>\$0.021</b>



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A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

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>20%	20% – 5%	<5%

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