

## Capital raised for growth plans

Vault Intelligence Limited (VLT.ASX) is a safety technology company that drives the management of safety, risk and related compliance requirements for business. The products are sold by way of subscription (SaaS) resulting in recurring revenue. The company has been listed since June 2016 when it undertook a backdoor listing and raised \$4.3m at \$0.02/share. The company has reported FY18 revenue of \$3.0m on the back of achieving its forecast Contracted Annualised Recurring Revenue (CARR) of \$4m with total CARR of \$4.05m, up 76% year-on-year. Vault announced an operating loss of \$2.7m for FY18, in line with our forecasts. It also has taken the opportunity to raise additional capital with a \$5m placement to investors at \$0.03/share. The capital will be used to resource the company's growth plans, including the rollout of Vault Solo, its workforce management/lone worker eco system targeting the wearables market through a collaborative arrangement with Samsung and partnering telcos. After adjusting for the additional shares on issue and the FY18 result, our base case DCF valuation excluding Vault Solo is \$0.045/share (previously \$0.047/share); including Solo this rises to \$0.358/share (previously \$0.41/share).

### Business model

Vault operates a subscription as a service (SaaS) model for its Environmental Health and Safety enterprise platform. Customers typically enter into a three-year contract which includes implementation and training and pay on a subscription basis with payments made monthly quarterly or annually. VLT has moved its products from desktop to mobile to an integrated version and, now, a wearables version. Future development includes the integration of Artificial Intelligence (AI) and the Internet of Things (IoT).

### FY18 result and capital raise

Vault has reported a net loss of \$2.7m for FY18, in line with our forecasts and a 22% improvement on the loss reported in FY17. The company reported a 10% increase in revenues to \$3.0m after beating its guidance for annualised recurring revenue of \$4.0m with a 76.1% increase in ARR to \$4.1m. Our forecasts had incorporated slightly higher revenue and costs. The company also completed a \$5m share placement, oversubscribed and priced at \$0.03/share, a 3.2% discount to its last close and 10.7% discount to the 15-day volume weighted average price (VWAP). We have upgraded our FY19 and FY20 forecasts to reflect slightly lower costs and higher revenue in FY19; we have also incorporated the impact of the additional shares being issued in the placement.

### Valuation

We have used the discounted cashflow methodology to value Vault, arriving at a base case valuation of \$0.045/share excluding our forecasted cashflows from the Vault Solo product. Including Vault Solo, our base case DCF rises to \$0.358/share. Our valuation is generated from a WACC of 12.0%, terminal value 2.0% and a CAGR of free positive cashflows from 2020 of 34.7%, with most of this captured in the near term. In our view, demonstrated success with the Vault Solo product and continued growth in CARR should underpin VLT's share price performance.

#### Historical earnings and RaaS Advisory estimates

Year end	Revenue (A\$m)	EBITDA reported (A\$m)	NPAT reported (A\$m)	EPS* (c)	P/E (x)	EV/EBITDA (x)
06/17	2.8	(3.1)	(3.5)	(0.56)	n.a.	n.a.
06/18	3.0	(2.6)	(2.7)	(0.34)	n.a.	n.a.
06/19e	6.8	(0.4)	(0.5)	(0.05)	n.a.	n.a.
06/20e	9.4	0.8	0.4	0.04	73.4	29.7

Source: Company data, RaaS Advisory Estimates for FY19e and FY20e

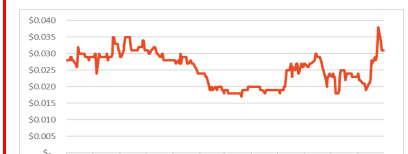
## Software services

4 September 2018

### Share details

ASX Code	VLT
Share price	\$0.03
Market Capitalisation (post raise)	\$30.9M
Shares on issue (post raise)	1,030M
Net cash at 30 June 2018	\$2.2M
Free float	~60%

### Share performance (12 months)



### Upside Case

- High profile customers and high customer retention levels (~96%)
- Innovative Internet of Things (IoT) software
- Applicable to markets globally

### Downside Case

- Enterprise range has a 3-12 month sales cycle, Solo range is one month
- New products, yet to be fully trialled in market
- Small, early stage company

### Board of Directors

Evonne Collier	Independent Non Executive Chair
David Moylan	Managing Director/ CEO
Robert Kirtlan	Non-Executive Director
Ross Jenkins	Non-Executive Director
David Rose	Non-Executive Director

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## FY18 Result

Vault delivered better than guidance annualised recurring revenue of \$4.1m in FY18 which underpinned the \$3.0m it reported in revenue for the year. Costs containment, particularly employment costs, was better than we had forecast resulting in the company delivering an operating loss in line with our forecast. VLT's net loss of \$2.7m was an improvement on the \$3.5m net loss reported in FY17 and in line with our expectations. The company ended FY18 with net cash of \$2.1m. We have set out the FY18 result and comparable period in the following exhibit.

In A\$m unless otherwise stated	FY17	FY18	% chg	RaaS FY18e
Annualized recurring revenue	2.3	4.1	76.1%	3.9
Revenue	2.8	3.0	10.0%	3.2
EBITDA	(3.1)	(2.6)	(15.1%)	(2.6)
EBIT	(3.4)	(3.0)	(12.0%)	(3.1)
NPAT	(3.5)	(2.7)	(21.6%)	(2.7)
EPS (A\$)	(0.56)	(0.34)	(39.1%)	(0.31)

Source: Company data, RaaS Estimates

## Capital raise

Vault has raised \$5m at \$0.03/share through a share placement taken up mostly by institutional investors. The placement, lead managed by Bell Potter Securities, was oversubscribed and placed at a 3.2% discount to the prior day's close and a 10.7% discount to the 15-day VWAP. The shares will be issued in two tranches, with 134.9m settled on 7 September and the remaining 31.8m subject to shareholder approval at a general meeting which Vault expects to hold in early October. The company intends to use the proceeds to accelerate its growth plans for both the core enterprise platform and the market opportunities being presented by Vault's collaborative agreement with Samsung for the development of Vault Solo, the workforce management/lone worker eco-system designed for the wearables market. Vault Solo will be available on the e-Sim enabled Samsung Galaxy watch when it is launched in Australia, New Zealand and South East Asia from next month.

## Earnings Adjustments

We have adjusted our forecasts for FY19 and FY20 to reflect the higher CARR generated in FY18 and our expectation that this will flow through to the FY19 result. Our revised forecasts also reflect the lower cost base set by FY18 and this has resulted in our expected that Vault will report a net loss of \$0.5m in FY19 and NPAT of \$0.4m in FY20. We also have incorporated the additional 166.7m issued through the placement. Our forecast changes are set out in the following exhibit.

In A\$m unless otherwise stated	FY19 old	FY19 new	% chg	FY20 old	FY20 new	% chg
Revenue	6.2	6.8	10.5%	9.4	9.4	0.5%
EBITDA	(0.9)	(0.4)	(58.9%)	0.8	0.8	4.5%
EBIT	(1.2)	(0.7)	(40.1%)	0.5	0.5	(5.6%)
NPAT	(0.8)	(0.5)	(45.1%)	0.4	0.4	14.0%
EPS (A\$)	(0.10)	(0.05)	(51.7%)	0.04	0.04	(4.5%)

Source: RaaS estimates

## DCF valuation

We are of the view that the discounted cashflow methodology is the most appropriate methodology for valuing early stage companies. Our base case DCF valuation of Vault, excluding Vault Solo, is \$0.045/share and uses a WACC of 12% (terminal value of 2%) to reflect the early stage nature of the business and the competitive landscape.

Including Vault Solo, our base case valuation is \$0.358/share, based on the same valuation parameters.

**Exhibit 3: Base Case DCF valuation (excluding Vault Solo)**

Parameters	Outcome
Discount Rate / WACC	12.0%
Beta	1.4
Terminal growth rate assumption	2.0%
Sum of PV	18.2
PV of terminal Value	21.8
PV of Enterprise	40.0
Debt (Cash)	(6.6)
Net Value - Shareholder	46.6
No of shares on issue	1030.3
NPV	\$0.045
Source: RaaS estimates	

**Exhibit 4: Base Case DCF valuation (including Vault Solo)**

Parameters	Outcomes
Discount Rate / WACC	12.0%
Beta	1.4
Terminal growth rate assumption	2.0%
Sum of PV	169.8
PV of terminal Value	190.2
PV of Enterprise	360.0
Debt (Cash)	(9.1)
Net Value - Shareholder	369.1
No of shares on issue	1030.3
NPV	\$0.358
Source: RaaS estimates	

Our financial model also contemplates an upside case and a downside case for Vault both including and excluding Vault Solo.

We set out some of the parameters we have used to reach these valuations:

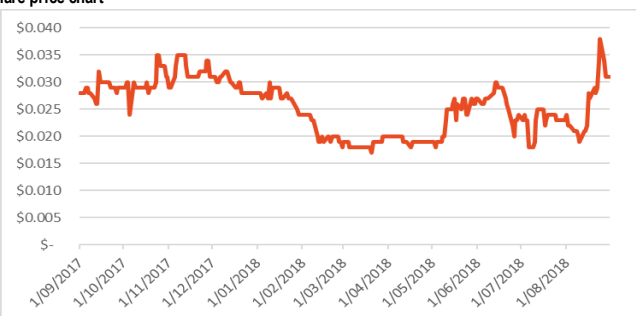
- Base case revenues ex Solo are forecast to grow at a CAGR of 21.3% from 2019-2025 with contracted revenue growing respectively at 14% and 12% in FY19 and FY20 and 5% thereafter, delayed contract revenue of 50%, variable costs 20% of revenue and consulting revenue 25% of FY18's total revenue and growing at 2% thereafter;
- Base case revenues including Solo assume 25,000 users come onto the platform in H119, paying \$12 per month for the functionality on the Samsung Galaxy watch; this rises to 150,000 by 2025;
- An upside case assumes 16% and 14% growth in CARRs in FY19 and FY20 and 7% thereafter, delayed contract revenue of 25%, variable costs 17.5% and consulting revenue of 25% in FY18 and growing at 3% thereafter;
- Upside case revenues including Solo assume takeup by 30,000 users in H119 rising to 187,500 by 2025;
- A downside case assumes 12% and 10% growth in CARRs in FY19 and FY20 and 3% thereafter, delayed contract revenue of 75%, variable costs 22.5% and consulting revenue of 25% in FY18 and growing at 1% thereafter;
- Downside case including Solo assume takeup by 20,000 users in H119 rising to 112,500 by 2025.

The following exhibit highlights the DCF valuations generated by the different scenarios.

**Exhibit 5: Impact on DCF valuation of different scenarios**

Scenario	Value per share
Base case DCF valuation (ex Vault Solo)	\$0.045
Base case DCF valuation (inc Vault Solo)	\$0.358
An upside case DCF ex Solo	\$0.085
An upside case DCF inc Solo	\$0.505
A downside case DCF ex Solo	\$0.008
A downside case DCF inc Solo	\$0.213
Source: RaaS estimates	

**Exhibit 6: Financial Summary (Base Case excluding Vault Solo)**

Vault Intelligence Limited						Share price (3 September 2018)						A\$	0.03	
<b>Profit and Loss (A\$m)</b>						<b>Interim (A\$m)</b>								
<b>Y/E 30 June</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>	<b>H117A</b>	<b>H217A</b>	<b>H118F</b>	<b>H218F</b>	<b>H119F</b>	<b>H219F</b>			
Revenue	3.2	2.8	3.0	6.8	9.4	1.3	1.5	1.4	1.6	3.2	3.7			
EBITDA	(0.4)	(3.1)	(2.6)	(0.4)	0.8	- 1.3 -	1.7 -	1.7 -	0.9 -	0.3 -	0.1			
Depn	(0.3)	(0.3)	(0.0)	(0.0)	(0.0)	- 1.5 -	1.9 -	1.9 -	1.1 -	0.5 -	0.3			
Amort	0.0	0.0	(0.4)	(0.4)	(0.3)	- 1.6 -	1.9 -	1.9 -	0.9 -	0.3 -	0.1			
EBIT	(2.4)	(3.4)	(3.0)	(0.7)	0.5	- 1.6 -	1.9 -	1.9 -	0.9 -	0.3 -	0.1			
Interest	(0.1)	(0.0)	(0.0)	0.1	0.1	- 0.27 -	0.29 -	0.22 -	0.12 -	0.03 -	0.01			
Tax	0.0	(0.0)	0.0	0.2	(0.2)	- 0.27 -	0.29 -	0.22 -	0.12 -	0.03 -	0.01			
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	(2.5)	(3.5)	(2.7)	(0.5)	0.4	30.0	30.0	30.0	30.0	30.0	30.0			
Significant items	0.0	0.0	0.0	0.0	0.0	- 1.6 -	1.2 -	1.6 -	1.1 -	0.4	0.0			
<b>NPAT (reported)</b>	<b>(2.5)</b>	<b>(3.5)</b>	<b>(2.7)</b>	<b>(0.5)</b>	<b>0.4</b>	- 1.5 -	1.2 -	1.6 -	1.1 -	0.3	0.1			
<b>Cash flow (A\$m)</b>						<b>Share price chart</b>								
<b>Y/E 30 June</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>									
Receipts less exp	(0.4)	(3.1)	(3.0)	(0.7)	0.7									
Interest	(0.1)	(0.0)	0.0	0.1	0.1									
Tax	0.0	0.0	0.0	0.0	(0.2)									
Working capital changes	0.5	0.3	0.3	0.3	0.1									
Operating cash flow	(0.0)	(2.8)	(2.7)	(0.4)	0.8									
Mtce capex	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)									
Free cash flow	(0.1)	(2.9)	(2.8)	(0.5)	0.7									
Growth capex	0.0	0.0	(0.0)	(0.0)	(0.0)									
Acquisitions/Disposals	(0.4)	(0.5)	(0.5)	0.0	0.0									
Other	0.0	0.0	0.0	0.0	0.0									
Cash flow pre financing	(0.5)	(3.4)	(3.3)	(0.5)	0.7									
Equity	4.2	1.5	4.2	5.0	0.0									
Debt	0.5	(0.6)	0.0	0.0	0.0									
Dividends paid	0.0	0.0	0.0	0.0	0.0									
Net cash flow for year	4.1	(2.5)	0.9	4.5	0.7									
<b>Balance sheet (A\$m)</b>						<b>Margins, Leverage, Returns</b>								
<b>Y/E 30 June</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18F</b>	<b>FY19F</b>	<b>FY20F</b>				
Cash	4.2	1.4	2.2	6.7	7.3	EBITDA	-13.3%	-111.2%	-85.8%	-5.3%	8.5%			
Accounts receivable	0.4	0.3	0.6	0.6	0.8	EBIT	-75.9%	-123.9%	-99.1%	-10.9%	5.0%			
Inventory	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	-78.9%	-126.2%	-90.0%	-6.8%	4.5%			
Other current assets	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)	3.2	1.2	2.0	6.6	7.3			
<b>Total current assets</b>	<b>4.7</b>	<b>1.7</b>	<b>2.8</b>	<b>7.2</b>	<b>8.2</b>	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	9.159		
PPE	0.1	0.2	0.2	0.3	0.4	ND/ND+Equity (%)	(%)	-4846.9%	-164.9%	-145.1%	-491.8%	-675.2%		
Intangibles	1.3	1.2	1.9	1.5	1.2	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.3		
Investments	0.0	0.0	0.4	0.4	0.4	ROA	-39.4%	-71.1%	-67.7%	-9.9%	4.6%			
Deferred tax asset	0.0	0.0	0.0	0.2	0.2	ROE	-77%	-135%	-103%	-8%	5%			
Loan receivables	0.0	0.5	0.0	0.0	0.0	ROIC	-7298%	-409%	256%	-626%	-91%			
<b>Total non current assets</b>	<b>1.4</b>	<b>1.8</b>	<b>2.6</b>	<b>2.5</b>	<b>2.3</b>	NTA (per share)	0.14	0.00	0.00	0.01	0.01			
<b>Total Assets</b>	<b>6.1</b>	<b>3.5</b>	<b>5.4</b>	<b>9.8</b>	<b>10.5</b>	Working capital	-	0.4 -	0.1	0.2 -	0.1 -	0.0		
Accounts payable	0.9	0.4	0.4	0.7	0.8	WC/Sales (%)	-12%	-4%	6%	-2%	0%			
Short term debt	0.9	0.2	0.1	0.1	0.1	Revenue growth			-13%	10%	126%	37%		
Tax payable	0.1	0.0	0.0	0.0	0.0	EBIT growth pa		n/a	n/a	n/a	-163%			
Other current liabilities	0.9	1.0	1.4	1.0	1.1	Pricing		FY16A	FY17A	FY18F	FY19F	FY20F		
<b>Total current liabilities</b>	<b>2.8</b>	<b>1.6</b>	<b>1.9</b>	<b>1.7</b>	<b>2.0</b>	No of shares (y/e)	(m)	14	695	1,030	1,030	1,030		
Long term debt	0.0	0.0	0.1	0.0	0.0	Weighted Av Dil Shares	(m)	-	-	860	1,030	1,030		
Other non current liabs	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	-	0.97 -	0.56 -	0.34 -	0.05	0.04	
<b>Total long term liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	EPS Normalised/Diluted	cps	-	0.97 -	0.56 -	0.34 -	0.05	0.04	
<b>Total Liabilities</b>	<b>2.8</b>	<b>1.6</b>	<b>2.0</b>	<b>1.7</b>	<b>2.0</b>	EPS growth (norm/dil)			n/a	n/a	n/a	-186%		
<b>Net Assets</b>	<b>3.3</b>	<b>1.9</b>	<b>3.4</b>	<b>8.0</b>	<b>8.5</b>	DPS	cps	-	-	-	-	-	-	
Share capital	12.2	13.7	17.9	22.9	22.9	DPS Growth		n/a	n/a	n/a	n/a	n/a	n/a	
Accumulated profits/losses	(9.0)	(12.5)	(15.2)	(15.7)	(15.2)	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%		
Reserves	0.1	0.7	0.7	0.7	0.7	Dividend imputation		30	30	30	30	30		
Minorities	0.0	0.0	0.0	0.0	0.0	PE (x)		-	-	-	-	73.4		
<b>Total Shareholder funds</b>	<b>3.3</b>	<b>1.9</b>	<b>3.4</b>	<b>7.9</b>	<b>8.4</b>	PE market				15.2	15.2	15.2		
						Premium/(discount)				-100%	383%			
						EV/EBITDA		6.6 -	6.4 -	9.6 -	32.5	32.8		
						FCF/Share	cps	0.5	-0.4	-0.3	0.0	0.1		
						Price/FCF share		6 -	8 -	11 -	110	34.8		
						Free Cash flow Yield		15.9%	-12.9%	-8.8%	-0.9%	2.9%		

Source: RaaS Advisory

# 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: 11<sup>th</sup> May 2017**



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

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    - Securities
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