

Strategic partnership to sell Solo in Oz

Vault Intelligence Limited (ASX:VLT) is a Software as a Service (SaaS) technology company providing businesses a leading platform to manage Environmental, Health and Safety (EHS) risks and compliance requirements and a People Monitoring platform that delivers real time safety solutions and enhanced operating productivity. The products are sold by way of subscription (SaaS) resulting in recurring revenues. The company has announced a strategic partnership with Vita Group (ASX:VTG) for business development and sales of Vault Solo subscriptions in Australia. Vita Group is Telstra's (ASX:TLS) largest operator of Telstra retail and B2B branded outlets in Australia. The company also recently completed a \$7.5m share placement (before costs) with new and existing institutional shareholders at \$0.30/share to fund sales and business development and product development. We have incorporated the raise into our forecasts, with the only impact on EPS as we had previously factored in a \$5m raise in H1 FY20 and \$5m in H1 FY21. We now have assumed a \$2.5m raise in H1 FY21. Our base case DCF valuation is unchanged at \$0.85/share.

Business model

Vault operates a subscription as a service (SaaS) model for its Environmental Health and Safety enterprise platform and for its wearables technology Solo. EHS 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. Solo is sold on a subscription basis via telcos. Over the past two years, VLT has moved its products from desktop to mobile to an integrated version and, now, a wearables version.

Capital raise and Vita Group partnership

The company has announced a strategic partnership with Vita Group as a key partner for business development and sales of Vault Solo across Vita's Australian network. Vita operates more than 100 Telstra stores and four Telstra Business Technology Centres in NSW and Qld for small to medium business customers. The agreement will also see Vault and Vita Group, via the Vita Enterprise Solutions team, jointly develop, market and sell Solo into large enterprises. We see this relationship as a key plank in the strategy to grow Solo's sales in Australia. In our view, the company's strategy of building an ecosystem of partners to develop its sales pipeline will help accelerate total sales. Vault also recently raised \$7.5m at \$0.30/share, a premium to the 15-day VWAP of \$0.295, to accelerate sales and business development and product development. We have incorporated the raise in our forecasts, with the impact on FY20 EPS being an improvement of 2.2% on the estimated loss of 3.3cps and 1.6% improvement on FY21 EPS loss of 1.8cps.

Valuation

Our base case valuation is \$0.85/share (unchanged). Our valuation is generated from a WACC of 14.0%, terminal value 2.2% and a CAGR of free positive cashflows from 2023 to 2029 of 40%. The terminal value makes up 61.5% of the valuation. In our view, demonstrated success with Vault Solo and demonstrated growth in CARR should underpin VLT's share price performance.

Year end	Revenue (A\$m)	EBITDA reported (A\$m)	NPAT reported (A\$m)	EPS* (c)	P/E (x)	EV/Sales (x)
06/19	4.3	(3.9)	(4.8)	(4.67)	n.a.	5.9
06/20e	6.6	(3.9)	(4.4)	(3.58)	n.a.	4.8
06/21e	10.4	(0.9)	(2.5)	(1.87)	n.a.	3.2
06/22e	15.7	3.1	2.0	1.45	18.6	2.1

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

Software services

9th October 2019

Share details

ASX Code	VLT
Share price	\$0.27
Market Capitalisation	\$34.5M
Shares on issue	128M
Net cash post raise	~\$8.0M
Free float	~60%

Share performance (12 months)



Upside Case

- High profile customers and high customer retention levels (~96% overall and 99.5% on Vault 3)
- 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 trialed in market
- Small, early stage company

Board of Directors

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

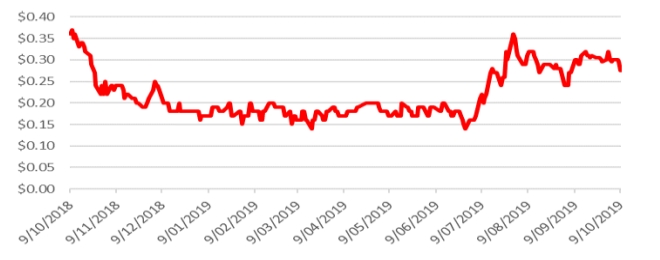
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Exhibit 1: Financial Summary

Vault Intelligence Limited						Share price (9 October 2019)						A\$ 0.27					
Profit and Loss (A\$m)						Interim (A\$m)											
Y/E 30 June						H119A	H219A	H120F	H220F	H121F	H221F						
	FY18A	FY19A	FY20F	FY21F	FY22F	Annual recurring revenue											
Annual Recurring Revenue	3.3	6.0	10.0	16.0	23.8	4.2	6.0	8.0	10.0	13.0	16.0						
Software Revenue	2.5	3.1	5.3	10.0	15.2	1.5	1.6	2.3	3.0	4.6	5.4						
Other revenue (inc R&D grants)	0.8	1.2	1.3	0.5	0.5	0.1	1.1	1.1	0.2	0.2	0.2						
Total Revenue	3.3	4.3	6.6	10.4	15.7	1.7	2.7	3.4	3.2	4.8	5.7						
EBITDA	(2.3)	(3.9)	(3.9)	(0.9)	3.1	(2.0)	(1.8)	(2.0)	(2.0)	(0.7)	(0.2)						
Depn	(0.0)	(0.3)	(0.0)	(0.1)	(0.1)	(2.4)	(2.3)	(2.7)	(2.6)	(1.5)	(1.0)						
Amort	(0.4)	(0.5)	(1.3)	(1.6)	(1.7)	(2.4)	(2.3)	(1.8)	(2.6)	(1.5)	(1.0)						
EBIT	(2.7)	(4.8)	(5.3)	(2.5)	1.3	0.0	0.0	0.0	0.0	0.0	0.0						
Interest	(0.0)	0.0	0.0	0.0	0.0	(2.4)	(2.3)	(1.8)	(2.6)	(1.5)	(1.0)						
Tax	0.0	0.0	0.0	0.0	0.7	(2.4)	(2.3)	(1.6)	(2.0)	(1.1)	(0.7)						
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0						
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	(2.4)	(2.3)	(1.6)	(2.0)	(1.1)	(0.7)						
NPAT pre significant items	(2.7)	(4.8)	(5.3)	(2.5)	2.0	0.0	0.0	0.0	0.0	0.0	0.0						
Significant items	0.0	0.0	0.0	0.0	0.0	30.0	30.0	30.0	30.0	30.0	30.0						
NPAT (reported)	(2.7)	(4.8)	(4.4)	(2.5)	2.0	0.0	0.0	0.0	0.0	0.0	0.0						
Cash flow (A\$m)	FY18A	FY19A	FY20F	FY21F	FY22F	Share price chart (12 months)											
Y/E 30 June	FY18A	FY19A	FY20F	FY21F	FY22F												
Receipts less exp	(3.0)	(3.7)	(3.4)	(0.5)	3.8												
Interest	0.0	0.0	0.0	0.0	0.0												
Tax	0.0	0.0	0.0	0.0	(0.3)												
Working capital changes	0.3	0.8	0.4	0.1	0.0												
Operating cash flow	(2.7)	(3.0)	(2.9)	(0.4)	3.5												
Mtce capex	(0.0)	(0.1)	(0.3)	(0.4)	(0.4)												
Free cash flow	(2.8)	(3.0)	(3.2)	(0.8)	3.0												
Growth capex	(0.0)	(1.5)	(3.0)	(2.0)	(2.0)												
Acquisitions/Disposals	(0.5)	0.1	0.0	0.0	0.0												
Other	0.0	0.0	0.0	0.0	0.0												
Cash flow pre financing	(3.3)	(4.4)	(6.2)	(2.8)	1.0												
Equity	4.2	5.0	7.1	2.4	0.0												
Debt	0.0	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	0.9	0.6	0.9	(0.4)	1.0												
Balance sheet (A\$m)	FY18A	FY19A	FY20F	FY21F	FY22F	Margins, Leverage, Returns											
Y/E 30 June	FY18A	FY19A	FY20F	FY21F	FY22F	FY18A	FY19A	FY20F	FY21F	FY22F							
Cash	2.2	2.4	3.2	2.9	3.9	EBITDA	(68.6%)	(90.6%)	(59.5%)	(8.4%)	19.6%						
Accounts receivable	0.6	0.6	1.1	2.0	2.9	EBIT	(80.7%)	(109.9%)	(79.4%)	(24.0%)	8.1%						
Inventory	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	(80.9%)	(109.9%)	(79.9%)	(23.8%)	12.5%						
Other current assets	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)	2.0	2.2	3.0	2.6	3.7						
Total current assets	2.8	3.0	4.4	4.9	6.8	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	1.203					
PPE	0.2	0.2	0.5	0.9	1.2	ND/ND+Equity (%)	(%)	(145.1%)	(168.7%)	(83.6%)	(65.8%)	(74.9%)					
Intangibles	1.9	2.9	4.6	5.1	5.4	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	-	0.0				
Investments	0.4	0.5	0.5	0.5	0.5	ROA	(60.1%)	(79.3%)	(63.0%)	(23.5%)	9.7%						
Deferred tax asset	0.0	0.0	0.0	0.0	1.0	ROE	(100.2%)	(137.5%)	(86.3%)	(37.3%)	25.6%						
Other NC assets	0.0	0.1	0.1	0.1	0.1	ROIC	nm	nm	(512.5%)	(266.5%)	134.2%						
Total non current assets	2.6	3.6	5.6	6.4	8.1	NTA (per share)	0.02	0.01	0.02	0.01	0.02						
Total Assets	5.4	6.7	10.0	11.3	14.9	Working capital	0.2	-	0.5	0.9	1.8	2.7					
Accounts payable	0.4	1.1	0.2	0.2	0.2	WC/Sales (%)	5.8%	(11.2%)	14.1%	17.0%	17.2%						
Short term debt	0.1	0.1	0.1	0.1	0.1	Revenue growth	19.8%	31.3%	52.8%	57.6%	50.3%						
Tax payable	0.0	0.0	0.0	0.0	0.0	EBIT growth pa	n/a	n/a	n/a	n/a	(151.0%)						
Other CL inc deferred revenue	1.4	1.8	2.9	4.2	5.8	Pricing	FY18A	FY19A	FY20F	FY21F	FY22F						
Total current liabilities	1.9	3.0	3.3	4.5	6.2	No of shares (y/e)	(m)	99	103	128	135	135					
Long term debt	0.1	0.1	0.1	0.1	0.1	Weighted Av Dil Shares	(m)	96	99	128	135	135					
Other non current liabs	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(3.40)	(4.67)	(3.58)	(1.87)	1.45					
Total long term liabilities	0.1	0.1	0.1	0.1	0.1	EPS Normalised/Diluted	cps	(3.40)	(4.67)	(3.58)	(1.87)	1.45					
Total Liabilities	2.0	3.1	3.4	4.6	6.3	EPS growth (norm/dil)	n/a	n/a	n/a	n/a	n/a	(177.7%)					
Net Assets	3.4	3.5	6.6	6.7	8.6	DPS	cps	-	-	-	-	-					
Share capital	17.9	22.7	30.2	32.7	32.7	DPS Growth	n/a	n/a	n/a	n/a	n/a	n/a					
Accumulated profits/losses	(15.2)	(19.8)	(24.2)	(26.7)	(24.7)	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%					
Reserves	0.7	0.7	0.7	0.7	0.7	Dividend imputation	30	30	30	30	30	30					
Minorities	0.0	0.0	0.0	0.0	0.0	PE (x)	-	-	-	-	-	18.6					
Total Shareholder funds	3.4	3.5	6.6	6.7	8.6	PE market	15.2	15.2	15.2	15.2	15.2	15.2					
						Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	22.5%					
						EV/EBITDA	(8.2)	(6.9)	(9.4)	(66.3)	8.6						
						FCF/Share	cps	(2.7)	(2.8)	(2.0)	0.0	2.9					
						Price/FCF share	-	10	-	13.4	661.8	9.2					
						Free Cash flow Yield	(10.1%)	(10.3%)	(7.5%)	0.2%	10.8%						

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018

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

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