

Guidance for \$6m CARR confirmed

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 and VLT is in the process of trialling its new Vault Solo product with 30 companies. In a note to the ASX on November 20, the company has reconfirmed its prior guidance for \$6m Contracted Annual Recurring Revenue (CARR) for FY19, despite the adjustment to FY18 CARR on 31 October. Vault anticipates that continued successful sales of Vault 3, the rollout of Vault Solo and sales of its Chinese version of Vault 3 will underpin its \$6m CARR this financial year. We have previously adjusted our forecasts to reflect the FY18 CARR and are forecasting revenue of \$5.8m in FY19, which is a 93% increase in FY18. Our base case DCF valuation excluding Vault Solo remains unchanged at \$0.042/share; including Solo this rises to \$0.354/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. The company is also targeting sales of its Vault 3 enterprise platform into China and has now fully converted the platform to simplified Chinese and has localised its modules ready for sale. Vault's wearables product, called Solo, has recently been launched in Asia Pacific on the new Samsung Galaxy e-sim enabled watches and is in the process of being trialled with several customers, with early conversion to sales being noted by the company in its announcement.

Vault Solo rollout

Vault has joined forces with Samsung to launch Solo, its workforce ecosystem app designed with particular emphasis on lone workers, into the wearables market. Solo is now available on Samsung's latest e-sim enabled Galaxy watches which are being trialled with several VLT customers. The company noted that the response in the marketplace to Solo has been excellent, resulting in some early conversions and presenting some large partnership opportunities which Vault was progressing. The company anticipates that the uptake will continue in this quarter with strong sales predicted for the upcoming quarters. We are forecasting 40,000 Solo units to be deployed this financial year, which represents recurring monthly revenue for the company via subscription sales.

Valuation

We have used the discounted cashflow methodology to value Vault, arriving at a base case valuation of \$0.042/share excluding our forecasted cashflows from the Vault Solo product. Including Vault Solo, our base case DCF rises to \$0.354/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 52%, 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	5.9	(1.3)	(1.1)	(0.11)	n.a.	n.a.
06/20e	8.8	0.3	0.1	0.01	315.3	50.5

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

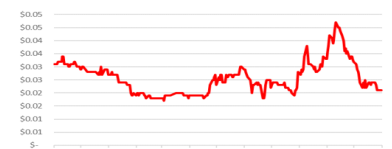
Software services

20 November 2018

Share details

ASX Code	VLT
Share price	\$0.021
Market Capitalisation	\$21.6M
Shares on issue	1,030M
Net cash at 30 June 2018 (\$5m capital raise post balance)	\$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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Exhibit 1: Financial Summary (Base Case excluding Vault Solo)

Vault Intelligence Limited						Share price (19 November 2018)						AS	0.021				
Profit and Loss (A\$m)						Interim (A\$m)											
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F	H117A	H217A	H118F	H218F	H119F	H219F						
Revenue	3.2	2.8	3.0	5.9	8.8	1.3	1.5	1.4	1.6	2.5	3.3						
EBITDA	(0.4)	(3.1)	(2.6)	(1.3)	0.3	- 1.3 -	- 1.7 -	- 1.7 -	- 0.9 -	- 0.9 -	- 0.4						
Depn	(0.3)	(0.3)	(0.0)	(0.0)	(0.0)	- 1.5 -	- 1.9 -	- 1.9 -	- 1.1 -	- 1.1 -	- 0.6						
Amort	0.0	0.0	(0.4)	(0.4)	(0.3)	- 1.6 -	- 1.9 -	- 1.9 -	- 0.9 -	- 0.7 -	- 0.4						
EBIT	(2.4)	(3.4)	(3.0)	(1.7)	(0.0)	- 1.6 -	- 1.9 -	- 1.9 -	- 0.9 -	- 0.7 -	- 0.4						
Interest	(0.1)	(0.0)	(0.0)	0.1	0.1	-	-	-	-	-	-						
Tax	0.0	(0.0)	0.0	0.5	(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	(2.5)	(3.5)	(2.7)	(1.1)	0.1	- 1.6 -	- 1.9 -	- 1.9 -	- 0.9 -	- 0.7 -	- 0.4						
Significant items	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-						
NPAT (reported)	(2.5)	(3.5)	(2.7)	(1.1)	0.1												
Cash flow (A\$m)						Share price chart											
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F												
Receipts less exp	(0.4)	(3.1)	(3.0)	(1.2)	0.2												
Interest	(0.1)	(0.0)	0.0	0.1	0.1												
Tax	0.0	0.0	0.0	0.0	(0.1)												
Working capital changes	0.5	0.3	0.3	0.2	0.1												
Operating cash flow	(0.0)	(2.8)	(2.7)	(0.9)	0.4												
Mtce capex	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)												
Free cash flow	(0.1)	(2.9)	(2.8)	(1.0)	0.3												
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)	(1.1)	0.3												
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	3.9	0.3												
Balance sheet (A\$m)						Margins, Leverage, Returns											
Y/E 30 June	FY16A	FY17A	FY18F	FY19F	FY20F		FY16A	FY17A	FY18F	FY19F	FY20F						
Cash	4.2	1.4	2.2	6.1	6.4		EBITDA	-13.3%	-111.2%	-85.8%	-22.0%	3.5%					
Accounts receivable	0.4	0.3	0.6	0.5	0.8		EBIT	-75.9%	-123.9%	-99.1%	-28.5%	-0.2%					
Inventory	0.0	0.0	0.0	0.0	0.0		NPAT pre significant items	-78.9%	-126.2%	-90.0%	-19.0%	0.8%					
Other current assets	0.0	0.0	0.0	0.0	0.0		Net Debt (Cash)	3.2	1.2	2.0	6.0	6.3					
Total current assets	4.7	1.7	2.8	6.6	7.2		Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	20.575					
PPE	0.1	0.2	0.2	0.3	0.4		ND/ND+Equity (%)	(%)	-4846.9%	-164.9%	-145.1%	-447.9%	-572.7%				
Intangibles	1.3	1.2	1.9	1.5	1.2		EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	n/a				
Investments	0.0	0.0	0.4	0.4	0.4		ROA	-39.4%	-71.1%	-67.7%	-22.6%	-0.2%					
Deferred tax asset	0.0	0.0	0.0	0.5	0.5		ROE	-77%	-135%	-103%	-21%	1%					
Loan receivables	0.0	0.5	0.0	0.0	0.0		ROIC	-7298%	-409%	256%	-1473%	5%					
Total non current assets	1.4	1.8	2.6	2.8	2.6		NTA (per share)	0.14	0.00	0.00	0.01	0.01					
Total Assets	6.1	3.5	5.4	9.4	9.8		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%	94%	50%				
Tax payable	0.1	0.0	0.0	0.0	0.0		EBIT growth pa		n/a	n/a	n/a	n/a					
Other current liabilities	0.9	1.0	1.4	1.3	1.5		Pricing		FY16A	FY17A	FY18F	FY19F	FY20F				
Total current liabilities	2.8	1.6	1.9	2.1	2.4		No of shares (y/e)	(m)	14	695	1,030	1,030	1,030				
Long term debt	0.0	0.0	0.1	0.1	0.1		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	-	0.11	0.01
Total long term liabilities	0.0	0.0	0.1	0.1	0.1		EPS Normalised/Diluted	cps	-	0.97	-	0.56	-	0.34	-	0.11	0.01
Total Liabilities	2.8	1.6	2.0	2.2	2.5		EPS growth (norm/dil)			n/a	n/a	n/a	n/a	-106%			
Net Assets	3.3	1.9	3.4	7.3	7.4		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)	(16.3)	(16.2)		Dividend yield		0.0%	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	30			
Minorities	0.0	0.0	0.0	0.0	0.0		PE (x)		-	-	-	-	-	315.3			
Total Shareholder funds	3.3	1.9	3.4	7.3	7.4		PE market				15.2	15.2	15.2				
							Premium/(discount)				-100%	1974%					
							EV/EBITDA		6.9	-	4.4	-	6.5	-	12.5	67.8	
							FCF/Share	cps		0.5	-	0.4	-	0.3	-	0.1	0.0
							Price/FCF share			4	-	5	-	8	-	26	42.6
							Free Cash flow Yield			22.7%	-18.5%	-12.5%	-3.8%	2.3%			

Source: RaaS estimates



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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- how we transact with you
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- complaint processes

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