

CARR at \$10.7m, with 280% q-o-q growth

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. Vault has reported Q2 new Contracted Annual Recurring Revenue (CARR) of \$3.8m, an increase of 280% quarter on quarter and delivering CARR of \$10.7m at 31 December 2019. Vault signed contracts in Q2 with a total contract value of ~\$23m. The company also reported Q2 cash receipts of \$1.46m, including customer receipts of \$0.93m. This was a little below our forecasts and likely the effect of timing. Costs for the quarter were in line with our forecasts. Cash at the end of the period was \$5.575m. We have not made any changes to our forecasts, ahead of the company reporting its interim results later next month.

Business model

Vault operates a subscription as a service (SaaS) model for its Environmental Health and Safety enterprise platform Vault 3 and for its wearables technology Vault 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 utilising VLT's direct sales force and via partners. Over the past two years, VLT has moved its products from desktop to mobile to an integrated version and, now, a wearables version. Solo Drive is the latest iteration of the Solo platform and is focussed on individual driving behaviour, providing critical data to individuals to manage their own performance and to businesses to assist in education, management and delivering demonstrable cost benefits.

Q2 Cashflow report

Vault reported cash receipts from customers of \$0.93m for Q2 FY20, bringing total receipts for the half year to \$2.19m, an increase of 7% on the prior period but a little lower than our forecast for \$2.8m, suggesting timing differences in cash retrievals. Operational expenditure for H1 FY20 was \$5.7m and in line with our forecast, however Vault noted that this included \$0.48m in one off costs for bonuses and commissions and an annual upfront payment of \$0.19m for its integrated Business Intelligence module. Government grants of \$0.54m were also received in Q2. Momentum in writing new CARR is increasing with Q2 new CARR of \$3.8m, up from \$0.42m in Q2 FY19.

Valuation of \$1.10/share

Our base case valuation is \$1.10/share and includes CARR for FY20 of \$11m. 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 32%. The terminal value makes up 64% of the valuation. Given the company is now sitting at just under \$11m CARR with seven months to go this financial year, we see potential upside in our forecasts. In our view, continued demonstrated success with Vault Solo and demonstrated growth in CARR should underpin VLT's share price performance.

Historical earnings and RaaS Advisory estimates

Year end	CARR (A\$m)	Revenue (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	P/E (x)	EV/Sales (x)
06/19	6.0	4.3	(3.9)	(4.8)	(4.67)	n.a.	8.0
06/20e	11.0	6.9	(3.7)	(4.1)	(3.36)	n.a.	6.3
06/21e	19.0	11.8	0.5	(1.1)	(0.86)	n.a.	3.8
06//22e	29.6	18.6	6.0	4.4	3.26	11.0	2.2

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

Software services

30th January 2020

Share details

ASX Code	VLT
Share price	\$0.36
Market Capitalisation	\$46.1M
Shares on issue	128M
Net cash at 31 Dec	\$5.6M
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

Company contact


David Moylan +64 21 392 023
david.moylan@vaultintel.com

RaaS Advisory contact

Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

*The analyst holds shares

Exhibit 1: Financial Summary

Vault Intelligence Limited						Share price (29 November 2020)						A\$	0.36				
Profit and Loss (A\$m)						Interim (A\$m)						H119A	H219A	H120F	H220F	H121F	H221F
Y/E 30 June	FY18A	FY19A	FY20F	FY21F	FY22F	Contracted Annual Recurring Revenue	4.2	6.0	8.4	11.0	14.8	19.0					
Contracted Annual Recurring Revenue	3.3	6.0	11.0	19.0	29.6	Software Revenue	1.5	1.6	2.4	3.2	5.1	6.2					
Software Revenue	2.5	3.1	5.6	11.3	18.1	Other revenue (inc R&D grants)	0.1	1.1	1.1	0.2	0.2	0.2					
Other revenue (inc R&D grants)	0.8	1.2	1.3	0.5	0.5	Total Revenue	1.7	2.7	3.4	3.5	5.3	6.5					
Total Revenue	3.3	4.3	6.9	11.8	18.6	EBITDA	(2.0)	(1.8)	(1.9)	(1.7)	(0.2)	0.7					
EBITDA	(2.3)	(3.9)	(3.7)	0.5	6.0	EBIT	(2.4)	(2.3)	(2.6)	(2.3)	(1.0)	(0.1)					
Depn	(0.0)	(0.3)	(0.0)	(0.0)	(0.1)	NPAT (normalised)	(2.4)	(2.3)	(1.8)	(2.3)	(0.9)	(0.1)					
Amort	(0.4)	(0.5)	(1.2)	(1.5)	(1.7)	Minorities	0.0	0.0	0.0	0.0	0.0	0.0					
EBIT	(2.7)	(4.8)	(4.9)	(1.1)	4.2	NPAT (reported)	(2.4)	(2.3)	(1.8)	(2.3)	(0.9)	(0.1)					
Interest	(0.0)	0.0	0.0	0.0	0.0	EPS (normalised)	(2.4)	(2.3)	(1.5)	(1.8)	(0.7)	(0.1)					
Tax	0.0	0.0	0.0	0.0	0.1	EPS (reported)	(2.4)	(2.3)	(1.5)	(1.8)	(0.7)	(0.1)					
Minorities	0.0	0.0	0.0	0.0	0.0	Dividend (cps)	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	Imputation	30.0	30.0	30.0	30.0	30.0	30.0					
NPAT pre significant items	(2.7)	(4.8)	(5.0)	(1.1)	4.4	Operating cash flow	(2.4)	(0.5)	(2.9)	(1.2)	(0.2)	1.3					
Significant items	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(2.4)	1.0	(1.6)	0.4	1.0	2.6					
NPAT (reported)	(2.7)	(4.8)	(4.1)	(1.1)	4.4	Share price chart (12 months)											
Cash flow (A\$m)																	
Y/E 30 June	FY18A	FY19A	FY20F	FY21F	FY22F	Margins, Leverage, Returns						FY18A	FY19A	FY20F	FY21F	FY22F	
Receipts less exp	(3.0)	(3.7)	(4.7)	1.0	7.0	EBITDA	(68.6%)	(90.6%)	(53.2%)	3.9%	32.2%						
Interest	0.0	0.0	0.0	0.0	0.0	EBIT	(80.7%)	(109.9%)	(71.7%)	(9.3%)	22.8%						
Tax	0.0	0.0	(0.0)	0.0	(0.9)	NPAT pre significant items	(80.9%)	(109.9%)	(72.2%)	(9.1%)	23.8%						
Working capital changes	0.3	0.8	0.5	0.1	0.0	Net Debt (Cash)		2.0	2.2	2.5	3.6	7.3					
Operating cash flow	(2.7)	(3.0)	(4.2)	1.2	6.2	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	7.869	1.225					
Mtce capex	(0.0)	(0.1)	(0.2)	(0.4)	(0.4)	ND/ND+Equity (%)	(%)	(145.1%)	(168.7%)	(77.9%)	(104.9%)	(176.4%)					
Free cash flow	(2.8)	(3.0)	(4.4)	0.8	5.7	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	-	0.0				
Growth capex	(0.0)	(1.5)	(2.8)	(2.0)	(2.0)	ROA	(60.1%)	(79.3%)	(62.0%)	(10.2%)	27.2%						
Acquisitions/Disposals	(0.5)	0.1	0.0	0.0	0.0	ROE	(100.2%)	(137.5%)	(89.0%)	(16.9%)	47.7%						
Other	0.0	0.0	0.0	0.0	0.0	ROIC	nm	nm	(615.9%)	(231.3%)	503.0%						
Cash flow pre financing	(3.3)	(4.4)	(7.2)	(1.2)	3.7	NTA (per share)		0.02	0.01	0.01	0.02	0.05					
Equity	4.2	5.0	7.1	2.4	0.0	Working capital		0.2	-	0.5	1.0	2.1	3.3				
Debt	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		5.8%	(11.2%)	15.0%	17.7%	17.7%					
Dividends paid	0.0	0.0	0.0	0.0	0.0	Revenue growth		19.8%	31.3%	59.1%	70.8%	58.0%					
Net cash flow for year	0.9	0.6	(0.0)	1.1	3.7	EBIT growth pa	n/a	n/a	n/a	n/a	(487.2%)						
Balance sheet (A\$m)						Pricing						FY18A	FY19A	FY20F	FY21F	FY22F	
Y/E 30 June	FY18A	FY19A	FY20F	FY21F	FY22F	No of shares (y/e)	(m)	99	103	128	135	135					
Cash	2.2	2.4	2.7	3.8	7.6	Weighted Av Dil Shares	(m)	96	99	128	135	135					
Accounts receivable	0.6	0.6	1.2	2.3	3.5	EPS Reported	cps	(3.40)	(4.67)	(3.34)	(0.82)	3.28					
Inventory	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	(3.40)	(4.67)	(3.34)	(0.82)	3.28					
Other current assets	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	(502.7%)					
Total current assets	2.8	3.0	3.9	6.1	11.1	DPS	cps	-	-	-	-	-					
PPE	0.2	0.2	0.4	0.8	1.1	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Intangibles	1.9	2.9	4.4	4.9	5.3	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Investments	0.4	0.5	0.5	0.5	0.5	Dividend imputation		30	30	30	30	30					
Deferred tax asset	0.0	0.0	0.0	0.0	1.0	PE (x)		-	-	-	-	-	11.0				
Other NC assets	0.0	0.1	0.1	0.1	0.1	PE market		15.2	15.2	15.2	15.2	15.2					
Total non current assets	2.6	3.6	5.4	6.2	7.9	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(27.9%)					
Total Assets	5.4	6.7	9.3	12.3	19.0	EV/EBITDA		(11.1)	(9.4)	(9.2)	44.7	5.9					
Accounts payable	0.4	1.1	0.2	0.2	0.2	FCF/Share	cps	(2.7)	(2.8)	(3.1)	1.1	4.9					
Short term debt	0.1	0.1	0.1	0.1	0.1	Price/FCF share		-	13	-	13	-	11.6	31.3	7.4		
Tax payable	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield		(7.6%)	(7.7%)	(8.6%)	3.2%	13.6%					
Other CL inc deferred revenue	1.4	1.8	3.2	4.8	7.0												
Total current liabilities	1.9	3.0	3.5	5.2	7.4												
Long term debt	0.1	0.1	0.1	0.1	0.1												
Other non current liabs	0.0	0.0	0.0	0.0	0.0												
Total long term liabilities	0.1	0.1	0.1	0.1	0.1												
Total Liabilities	2.0	3.1	3.6	5.3	7.5												
Net Assets	3.4	3.5	5.6	7.1	11.5												
Share capital	17.9	22.7	30.2	32.7	32.7												
Accumulated profits/losses	(15.2)	(19.8)	(25.2)	(26.3)	(21.9)												
Reserves	0.7	0.7	0.7	0.7	0.7												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	3.4	3.5	5.6	7.1	11.5												

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: 26th November 2018



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- 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: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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 - 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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