

SEnterpriSYS Limited

Seeking to drive down home builder costs

SEnterpriSYS Ltd (SPS) is developing an integrated enterprise management software platform for small to medium home builders and contracting enterprises. The company, which has been spun out of the Tamawood (TWD.AX) stable, listed on the NSX on February 4 after raising \$0.64m at \$0.10/share. SPS has a strong register with Tamawood retaining 23.33% and directors holding 59.42%. SEnterpriSYS currently derives most of its revenue from three key customers, Tamawood, AstiVita and Advance NanoTek, which are all associated with the chairman Lev Mizikovsky.

Business model

SEnterpriSYS is in the process of test marketing an integrated enterprise management software platform for the small to medium home builder and contracting market called SEnterpriSYS Builder. SEnterpriSYS Builder is a program designed to cater to the needs of small to medium builders and suppliers, from first contact with clients, to appointments, job details, estimating and contracts, colour selection, interacting with the HIA, project management, payments and ordering. Tamawood and its franchises are in the process of beta testing the platform, called SEnterpriSYS Builder with feedback due to the company in this quarter. The company hopes to distribute SEnterpriSYS Builder to Australian Housing Industry Association members. According to the company's prospectus the HIA has shown preliminary interest in the platform as a way of addressing increasing compliance and regulatory costs confronting their members.

The company is also developing a quality assurance product and data distribution application called QANOTIX, Quality Assurance Network Optimised Targeted Information Control System. This system is designed to help users meet ISO9001:2015 and distribute relevant information.

SEnterpriSYS also provides ongoing project management including back office functions to Tamawood, AstiVita and Advance NanoTek, deriving an estimated \$0.635m in annualised revenue from these customers.

FY18 result and past performance

SEnterpriSYS delivered revenue growth of 24.6% in FY18 and NPAT growth of 21%. Its FY18 operational performance resulted in a four out of five rating on our 5-point score with Revenue and EPS increasing; Gross Operating Cashflow to EBITDA coming in above 90% and interest cover at more than 3x. While past performance is not an indication of future performance, the company has improved operationally over the past three financial years as the table below demonstrates.

Earnings history (A\$m)

Year ended	Revenue	EBITDA	PBT	NPAT	EPS (c)*	O/CF	EV/EBITDA (x)	P/E (x)
Jun-15	0.504	(0.182)	(0.189)	(0.152)	n/a	0.097	n/a	n/a
Jun-16	0.446	(0.435)	(0.447)	(0.451)	n/a	(0.590)	n/a	n/a
Jun-17	0.487	0.193	0.182	0.179	0.25	0.253	63.0	70.8
Jun-18	0.607	0.219	0.202	0.216	0.31	0.254	55.6	58.7

Source: Company data *Based on shares on listing (70.4m)

Shares Summary

Share Code	SPS
Share price at 11 Feb 19	\$0.18
Market Capitalisation	\$12.7M
Number of Shares (29.6m escrowed)	70.4M
Net Debt at 30 June 2018	\$0.68M
Share Registry	Computershare Ltd

RaaS 5-Point Score* = 4/5

Revenue increasing (1); EPS increasing (1), Return on Capital Employed [ROCE] (0); EBIT interest cover >3x (1) Gross Operating cash flow/EBITDA >90%(1)

Upside Case

- Long term agreement in place to supply its software systems to shareholder Tamawood Ltd
- Strong links into Housing Industry Association in QLD
- Longstanding and supportive major shareholder

Downside Case

- Limited liquidity, director-controlled entities own 59.42%
- Reliant on three main, related party customers
- Competing with globally backed players such as Oracle's Aconex and Trimble's Viewpoint

Board of Directors

Chairman	Lev Mizikovsky
Managing Director	Michael Fennell
Non-Executive Director	Rade Dudurovic

Catalysts

- Interim update

Comparative Companies

EPD.AX

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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

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

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 - Securities

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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