

## Strata Mixed Reality – Bringing a new reality to business

Strata Mixed Reality is a Utah-based developer of 3D, virtual reality (VR) and augmented reality (AR) software. The US company, which was vended into Strata Mixed Reality Ltd in September 2016, has been operating since 1988 and has a proven track record of delivering market leading 3D software. Strata intends to use its existing active user base of ~16,000 for its 3D software as a launch pad for its soon-to-be- released VR and AR software. The company plans to IPO on the ASX in the second half of calendar 2017 after raising ~\$10m to underpin the development and roll out its new software releases.

### Background

Strata was founded in 1988 by brothers Ken and Gary Bringhurst to develop 3D design tools for business. Ken Bringhurst is the chairman of Strata Mixed Reality Ltd while Gary Bringhurst is its chief technology officer. Strata's 3D software underpinned the design of Myst, the world's best-selling PC game until 2002 with more than 1.2m copies sold.

### Business model

Strata currently sells its 3D software through both licensing and subscription models. Its two key software products Design 3D CX and Foto 3D CX are available respectively for a one-off, single user licence fee of US\$595 and US\$399, with additional licence fees for extra users, upgrades and plug in products, while Design 3D CX is also offered on subscription. Strata has generated around US\$80m in revenue since it commenced operations, having sold more than 1m units. The company numbers several major corporations as its clients, including McDonalds, Unilever, Nestle, Coca Cola, Apple, Nokia, and GE, and it plans to market its new VR and AR software to this client base. The VR and AR software will allow design teams to go a step further and handle the look and feel of a product at the creative stage.

### Potential market size and peer group

The virtual and augmented reality market is estimated to have generated US\$5.2bn in revenue in 2016, according to industry research house International Data Corporation (IDC). The bulk of this revenue was generated in the US\$106bn video gaming market. In August 2016, IDC predicted that this market, which includes both software and hardware, will grow to US\$162b by 2020, with half that expenditure generated by software and enterprise solutions. IDC also predicted that the growth in take up of VR and AR software and hardware would shift away from video gaming to industries such as healthcare, product design and management-related businesses. Competitors in this space include the major media and technology companies such as Fox, Microsoft, Disney, Google, Comcast, Sony, which are either investing in their in-house technology or providing venture capital for start-up technology companies.

#### Share details

Reserved ASX Code	S3D
Proposed listing date	2H 2017
Current shares on issue	36M
Number of shareholders	3

#### 2017 Events

April: V1 of VR capable software launches  
 June: Alpha testing of AR software commences  
 August: Beta testing of AR software begins  
 2H 2017: ASX IPO after raising ~\$10m  
 December: V2 of VR/AR capable software launches

#### Potential market size

IDC estimates the 2016 market for VR/AR software and hardware was US\$5.2bn and that this will grow to US\$162bn by 2020.

#### Upside Case

- Proven track record in developing market leading software
- Existing active customer base to which it can market its new software
- Committed and longstanding shareholders and founders

#### Downside Case

- Small player in a market dominated by global operators
- Company's VR/AR software yet to be launched
- Pace of technological change could see AR/VR outmoded faster than anticipated

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