

17 June 2021

Smart Auto Australia Ltd

Seeking to electrify Australia's bus transit systems

Smart Auto (SAL) listed on the NSX on 8th June 2021, raising \$3m at \$0.10/share to give a market capitalisation at listing of \$15.5m. SAL's business over the past ten years has been the provision of bus rental and management services (currently 70 vehicles) and bus trading, primarily in Hong Kong. Through this business SAL has acquired expertise in management and rollout of commercial electric vehicles and is seeking to apply this in Australia and other Pacific countries lagging in the take-up of EV technology. SAL hopes to take advantage of recent state government commitments to electrify bus transit systems in NSW, QLD, and VIC to assist in establishing a commercial electric vehicle trading and management business in Australia.

Business model

Smart Auto generates income through Hong Kong government licenced bus rental and management services and bus trading. SAL has more than ten years' experience in the space and is a leading bus leasing, management, and trading service provider in Hong Kong (based on the number of buses under management). SAL focusses on non-franchised licenses buses (NFLB), which require a passenger service licence (PSL) to operate and private light buses. Additionally, SAL generates revenue from trading associated bus and coach licenses, distribution of coaches, buses and e-CV products and vehicle inspections and maintenance. SAL has gained knowledge and experience and grown strong relationships with a variety of suppliers in the bus and coach industry. The company's objectives are to grow the existing conventional bus rental, management and trading services while expanding into target countries, starting with Australia. SAL intends to invest in software, sales and marketing initiatives and resources to obtain a greater market share and evaluate and pursue prospective opportunities in the e-CV sector in Australia and other countries.

Recent News

Listing in June was accompanied by the appointment of an Australian GM, establishment of an office in Brisbane and commencing business operations in Australia. On June 14, the company reported a 65.9% rise in revenues to \$7.6m and adjusted NPAT of \$1.0m, which was down ~10% on FY20. In SAL's supplementary prospectus a dividend policy of a minimum of 30% of net profit was proposed subject to board approval and available cashflow. At 31 March, the company had \$2.01m in retained earnings which could be utilised towards future dividends.

Pro-forma earnings history A\$M

Year ended	Revenue	EBITDA	PBT	NPAT [^]	EPS (c) [*]	OCF	EV/EBITDA (x)	P/E (x)
Mar 2019	4.0	0.1	(0.04)	(0.03)	0.1	1.2	n.a.	n.a.
Mar-2020	4.6	2.0	1.3	1.1	0.7	0.5	14.5	28.5
Mar-2021	7.6	1.7	0.7	1.0	0.6	0.0	17.0	33.3

Source: Prospectus, Company data ^{*}Based on shares on listing and pro-forma financials at June 21 [^]FY21 NPAT adjusted for \$0.45m in listing costs – reported NPAT was \$0.53m

Shares Summary

Share Code	SAL
Share price	\$0.20
Market Capitalisation	\$31.1M
Number of Shares	155.3M
Pro-forma Net Cash at	\$2.2M
Share Registry	Advanced Share Registry

RaaS 5-Point Score* = 2/5

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

Upside Case

- Improved tourist travel to Hong Kong
- Support from Australian governments for ECV replacement of existing commercial vehicle fleets
- Declining cost of batteries and EVs feeds into greater rollout of supporting infrastructure

Downside Case

- Failure to win management contracts in Australia
- Continuing disruption to travel in HK due to COVID and government policies
- Price of EVs and supporting technologies stays high due to slow pace of change

Board of Directors

Chairman	Michael Pixley
Managing Director	Nga Lai (Alyce) Wong
Executive Director	Cheuk Lun (Mark) Ng
Non-Executive Director/CoSec	Gregory Starr
Non-Executive Director	Man Chi-Fat (Francis)

Catalysts

- Increased tourist demand in Hong Kong
- Winning a management contract in Australia

Comparable Companies

CTI Logistics (ASX:CLX)

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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

Effective Date: 6th May 2021



About Us

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This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

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

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

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BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

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.