

Capital raised for growth plans

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. The company has been listed since June 2016 when it undertook a backdoor listing and raised \$4.3m at \$0.02/share. The company has reported FY18 revenue of \$3.0m on the back of achieving its forecast Contracted Annualised Recurring Revenue (CARR) of \$4m with total CARR of \$4.05m, up 76% year-on-year. Vault announced an operating loss of \$2.7m for FY18, in line with our forecasts. It also has taken the opportunity to raise additional capital with a \$5m placement to investors at \$0.03/share. The capital will be used to resource the company's growth plans, including the rollout of Vault Solo, its workforce management/lone worker eco system targeting the wearables market through a collaborative arrangement with Samsung and partnering telcos. After adjusting for the additional shares on issue and the FY18 result, our base case DCF valuation excluding Vault Solo is \$0.045/share (previously \$0.047/share); including Solo this rises to \$0.358/share (previously \$0.41/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. VLT has moved its products from desktop to mobile to an integrated version and, now, a wearables version. Future development includes the integration of Artificial Intelligence (AI) and the Internet of Things (IoT).

FY18 result and capital raise

Vault has reported a net loss of \$2.7m for FY18, in line with our forecasts and a 22% improvement on the loss reported in FY17. The company reported a 10% increase in revenues to \$3.0m after beating its guidance for annualised recurring revenue of \$4.0m with a 76.1% increase in ARR to \$4.1m. Our forecasts had incorporated slightly higher revenue and costs. The company also completed a \$5m share placement, oversubscribed and priced at \$0.03/share, a 3.2% discount to its last close and 10.7% discount to the 15-day volume weighted average price (VWAP). We have upgraded our FY19 and FY20 forecasts to reflect slightly lower costs and higher revenue in FY19; we have also incorporated the impact of the additional shares being issued in the placement.

Valuation

We have used the discounted cashflow methodology to value Vault, arriving at a base case valuation of \$0.045/share excluding our forecasted cashflows from the Vault Solo product. Including Vault Solo, our base case DCF rises to \$0.358/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 34.7%, 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	6.8	(0.4)	(0.5)	(0.05)	n.a.	n.a.
06/20e	9.4	0.8	0.4	0.04	73.4	29.7

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

Software services

4 September 2018

Share details

ASX Code	VLT
Share price	\$0.03
Market Capitalisation (post raise)	\$30.9M
Shares on issue (post raise)	1,030M
Net cash at 30 June 2018	\$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

Company contacts

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

RaaS Advisory contacts

Finola Burke	+61 414 354 712
finola.burke@raasgroup.com	
Moirra Daw	+61 418 697 275
moira.daw@raasgroup.com	

FY18 Result

Vault delivered better than guidance annualised recurring revenue of \$4.1m in FY18 which underpinned the \$3.0m it reported in revenue for the year. Costs containment, particularly employment costs, was better than we had forecast resulting in the company delivering an operating loss in line with our forecast. VLT's net loss of \$2.7m was an improvement on the \$3.5m net loss reported in FY17 and in line with our expectations. The company ended FY18 with net cash of \$2.1m. We have set out the FY18 result and comparable period in the following exhibit.

In A\$m unless otherwise stated	FY17	FY18	% chg	RaaS FY18e
Annualized recurring revenue	2.3	4.1	76.1%	3.9
Revenue	2.8	3.0	10.0%	3.2
EBITDA	(3.1)	(2.6)	(15.1%)	(2.6)
EBIT	(3.4)	(3.0)	(12.0%)	(3.1)
NPAT	(3.5)	(2.7)	(21.6%)	(2.7)
EPS (A\$)	(0.56)	(0.34)	(39.1%)	(0.31)

Source: Company data, RaaS Estimates

Capital raise

Vault has raised \$5m at \$0.03/share through a share placement taken up mostly by institutional investors. The placement, lead managed by Bell Potter Securities, was oversubscribed and placed at a 3.2% discount to the prior day's close and a 10.7% discount to the 15-day VWAP. The shares will be issued in two tranches, with 134.9m settled on 7 September and the remaining 31.8m subject to shareholder approval at a general meeting which Vault expects to hold in early October. The company intends to use the proceeds to accelerate its growth plans for both the core enterprise platform and the market opportunities being presented by Vault's collaborative agreement with Samsung for the development of Vault Solo, the workforce management/lone worker eco-system designed for the wearables market. Vault Solo will be available on the e-Sim enabled Samsung Galaxy watch when it is launched in Australia, New Zealand and South East Asia from next month.

Earnings Adjustments

We have adjusted our forecasts for FY19 and FY20 to reflect the higher CARR generated in FY18 and our expectation that this will flow through to the FY19 result. Our revised forecasts also reflect the lower cost base set by FY18 and this has resulted in our expected that Vault will report a net loss of \$0.5m in FY19 and NPAT of \$0.4m in FY20. We also have incorporated the additional 166.7m issued through the placement. Our forecast changes are set out in the following exhibit.

In A\$m unless otherwise stated	FY19 old	FY19 new	% chg	FY20 old	FY20 new	% chg
Revenue	6.2	6.8	10.5%	9.4	9.4	0.5%
EBITDA	(0.9)	(0.4)	(58.9%)	0.8	0.8	4.5%
EBIT	(1.2)	(0.7)	(40.1%)	0.5	0.5	(5.6%)
NPAT	(0.8)	(0.5)	(45.1%)	0.4	0.4	14.0%
EPS (A\$)	(0.10)	(0.05)	(51.7%)	0.04	0.04	(4.5%)

Source: RaaS estimates

DCF valuation

We are of the view that the discounted cashflow methodology is the most appropriate methodology for valuing early stage companies. Our base case DCF valuation of Vault, excluding Vault Solo, is \$0.045/share and uses a WACC of 12% (terminal value of 2%) to reflect the early stage nature of the business and the competitive landscape.

Including Vault Solo, our base case valuation is \$0.358/share, based on the same valuation parameters.

Exhibit 3: Base Case DCF valuation (excluding Vault Solo)

Parameters	Outcome
Discount Rate / WACC	12.0%
Beta	1.4
Terminal growth rate assumption	2.0%
Sum of PV	18.2
PV of terminal Value	21.8
PV of Enterprise	40.0
Debt (Cash)	(6.6)
Net Value - Shareholder	46.6
No of shares on issue	1030.3
NPV	\$0.045
Source: RaaS estimates	

Exhibit 4: Base Case DCF valuation (including Vault Solo)

Parameters	Outcomes
Discount Rate / WACC	12.0%
Beta	1.4
Terminal growth rate assumption	2.0%
Sum of PV	169.8
PV of terminal Value	190.2
PV of Enterprise	360.0
Debt (Cash)	(9.1)
Net Value - Shareholder	369.1
No of shares on issue	1030.3
NPV	\$0.358
Source: RaaS estimates	

Our financial model also contemplates an upside case and a downside case for Vault both including and excluding Vault Solo.

We set out some of the parameters we have used to reach these valuations:

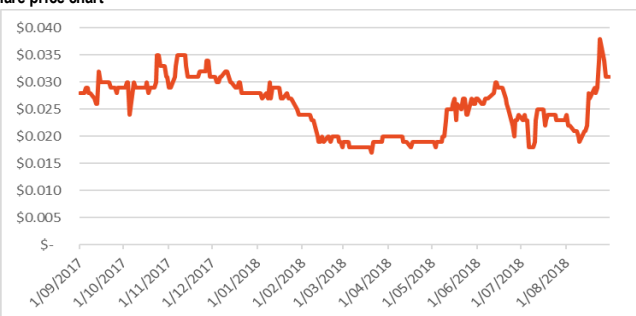
- Base case revenues ex Solo are forecast to grow at a CAGR of 21.3% from 2019-2025 with contracted revenue growing respectively at 14% and 12% in FY19 and FY20 and 5% thereafter, delayed contract revenue of 50%, variable costs 20% of revenue and consulting revenue 25% of FY18's total revenue and growing at 2% thereafter;
- Base case revenues including Solo assume 25,000 users come onto the platform in H119, paying \$12 per month for the functionality on the Samsung Galaxy watch; this rises to 150,000 by 2025;
- An upside case assumes 16% and 14% growth in CARRs in FY19 and FY20 and 7% thereafter, delayed contract revenue of 25%, variable costs 17.5% and consulting revenue of 25% in FY18 and growing at 3% thereafter;
- Upside case revenues including Solo assume takeup by 30,000 users in H119 rising to 187,500 by 2025;
- A downside case assumes 12% and 10% growth in CARRs in FY19 and FY20 and 3% thereafter, delayed contract revenue of 75%, variable costs 22.5% and consulting revenue of 25% in FY18 and growing at 1% thereafter;
- Downside case including Solo assume takeup by 20,000 users in H119 rising to 112,500 by 2025.

The following exhibit highlights the DCF valuations generated by the different scenarios.

Exhibit 5: Impact on DCF valuation of different scenarios

Scenario	Value per share
Base case DCF valuation (ex Vault Solo)	\$0.045
Base case DCF valuation (inc Vault Solo)	\$0.358
An upside case DCF ex Solo	\$0.085
An upside case DCF inc Solo	\$0.505
A downside case DCF ex Solo	\$0.008
A downside case DCF inc Solo	\$0.213
Source: RaaS estimates	

Exhibit 6: Financial Summary (Base Case excluding Vault Solo)

Vault Intelligence Limited						Share price (3 September 2018)																																																																																																																																																																																																																																														
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Revenue	3.2	2.8	3.0	6.8	9.4	1.3	1.5	1.4	1.6	3.2	3.7																																																																																																																																																																																																																																									
EBITDA	(0.4)	(3.1)	(2.6)	(0.4)	0.8	- 1.3 -	1.7 -	1.7 -	0.9 -	0.3 -	0.1																																																																																																																																																																																																																																									
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EBIT	(2.4)	(3.4)	(3.0)	(0.7)	0.5	- 1.6 -	1.9 -	1.9 -	0.9 -	0.3 -	0.1																																																																																																																																																																																																																																									
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NPAT pre significant items	(2.5)	(3.5)	(2.7)	(0.5)	0.4	30.0	30.0	30.0	30.0	30.0	30.0																																																																																																																																																																																																																																									
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NPAT (reported)	(2.5)	(3.5)	(2.7)	(0.5)	0.4	- 1.5 -	1.2 -	1.6 -	1.1 -	0.3	0.1																																																																																																																																																																																																																																									
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Receipts less exp	(0.4)	(3.1)	(3.0)	(0.7)	0.7	<table border="1"> <thead> <tr> <th>Margins, Leverage, Returns</th> <th>FY16A</th> <th>FY17A</th> <th>FY18F</th> <th>FY19F</th> <th>FY20F</th> </tr> </thead> <tbody> <tr> <td>EBITDA</td> <td>-13.3%</td> <td>-111.2%</td> <td>-85.8%</td> <td>-5.3%</td> <td>8.5%</td> </tr> <tr> <td>EBIT</td> <td>-75.9%</td> <td>-123.9%</td> <td>-99.1%</td> <td>-10.9%</td> <td>5.0%</td> </tr> <tr> <td>NPAT pre significant items</td> <td>-78.9%</td> <td>-126.2%</td> <td>-90.0%</td> <td>-6.8%</td> <td>4.5%</td> </tr> <tr> <td>Net Debt (Cash)</td> <td></td> <td>3.2</td> <td>1.2</td> <td>2.0</td> <td>6.6</td> <td>7.3</td> </tr> <tr> <td>Net debt/EBITDA (x)</td> <td>(x)</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>9.159</td> </tr> <tr> <td>ND/ND+Equity (%)</td> <td>(%)</td> <td>-4846.9%</td> <td>-164.9%</td> <td>-145.1%</td> <td>-491.8%</td> <td>-675.2%</td> </tr> <tr> <td>EBIT interest cover (x)</td> <td>(x)</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>0.3</td> </tr> <tr> <td>ROA</td> <td>-39.4%</td> <td>-71.1%</td> <td>-67.7%</td> <td>-9.9%</td> <td>4.6%</td> </tr> <tr> <td>ROE</td> <td>-77%</td> <td>-135%</td> <td>-103%</td> <td>-8%</td> <td>5%</td> </tr> <tr> <td>ROIC</td> <td>-7298%</td> <td>-409%</td> <td>256%</td> <td>-626%</td> <td>-91%</td> </tr> <tr> <td>NTA (per share)</td> <td></td> <td>0.14</td> <td>0.00</td> <td>0.00</td> <td>0.01</td> <td>0.01</td> </tr> <tr> <td>Working capital</td> <td>-</td> <td>0.4</td> <td>0.1</td> <td>0.2</td> <td>0.1</td> <td>0.0</td> </tr> <tr> <td>WC/Sales (%)</td> <td></td> <td>-12%</td> <td>-4%</td> <td>6%</td> <td>-2%</td> <td>0%</td> </tr> <tr> <td>Revenue growth</td> <td></td> <td></td> <td>-13%</td> <td>10%</td> <td>126%</td> <td>37%</td> </tr> <tr> <td>EBIT growth pa</td> <td></td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td></td> <td>-163%</td> </tr> <tr> <td colspan="6">Pricing</td> <td>FY16A</td> <td>FY17A</td> <td>FY18F</td> <td>FY19F</td> <td>FY20F</td> </tr> <tr> <td>No of shares (y/e)</td> <td>(m)</td> <td>14</td> <td>695</td> <td>1,030</td> <td>1,030</td> <td>1,030</td> </tr> <tr> <td>Weighted Av Dil Shares</td> <td>(m)</td> <td>-</td> <td>-</td> <td>860</td> <td>1,030</td> <td>1,030</td> </tr> <tr> <td>EPS Reported</td> <td>cps</td> <td>-</td> <td>0.97</td> <td>0.56</td> <td>0.34</td> <td>0.05</td> <td>0.04</td> </tr> <tr> <td>EPS Normalised/Diluted</td> <td>cps</td> <td>-</td> <td>0.97</td> <td>0.56</td> <td>0.34</td> <td>0.05</td> <td>0.04</td> </tr> <tr> <td>EPS growth (norm/dil)</td> <td></td> <td></td> <td></td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>-186%</td> </tr> <tr> <td>DPS</td> <td>cps</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>DPS Growth</td> <td></td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> </tr> <tr> <td>Dividend yield</td> <td></td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> </tr> <tr> <td>Dividend 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Returns	FY16A	FY17A	FY18F	FY19F	FY20F	EBITDA	-13.3%	-111.2%	-85.8%	-5.3%	8.5%	EBIT	-75.9%	-123.9%	-99.1%	-10.9%	5.0%	NPAT pre significant items	-78.9%	-126.2%	-90.0%	-6.8%	4.5%	Net Debt (Cash)		3.2	1.2	2.0	6.6	7.3	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	9.159	ND/ND+Equity (%)	(%)	-4846.9%	-164.9%	-145.1%	-491.8%	-675.2%	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.3	ROA	-39.4%	-71.1%	-67.7%	-9.9%	4.6%	ROE	-77%	-135%	-103%	-8%	5%	ROIC	-7298%	-409%	256%	-626%	-91%	NTA (per share)		0.14	0.00	0.00	0.01	0.01	Working capital	-	0.4	0.1	0.2	0.1	0.0	WC/Sales (%)		-12%	-4%	6%	-2%	0%	Revenue growth			-13%	10%	126%	37%	EBIT growth pa		n/a	n/a	n/a		-163%	Pricing						FY16A	FY17A	FY18F	FY19F	FY20F	No of shares (y/e)	(m)	14	695	1,030	1,030	1,030	Weighted Av Dil Shares	(m)	-	-	860	1,030	1,030	EPS Reported	cps	-	0.97	0.56	0.34	0.05	0.04	EPS Normalised/Diluted	cps	-	0.97	0.56	0.34	0.05	0.04	EPS growth (norm/dil)				n/a	n/a	n/a	-186%	DPS	cps	-	-	-	-	-	-	DPS Growth		n/a	n/a	n/a	n/a	n/a	n/a	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	Dividend imputation		30	30	30	30	30	PE (x)		-	-	-	-	73.4	PE market				15.2	15.2	15.2	Premium/(discount)					-100%	383%	EV/EBITDA		6.6	6.4	9.6	32.5	32.8	FCF/Share	cps	0.5	-0.4	-0.3	0.0	0.1	Price/FCF share		6	8	11	110	34.8	Free Cash flow Yield		15.9%	-12.9%	-8.8%	-0.9%	2.9%
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EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.3																																																																																																																																																																																																																																														
ROA	-39.4%	-71.1%	-67.7%	-9.9%	4.6%																																																																																																																																																																																																																																															
ROE	-77%	-135%	-103%	-8%	5%																																																																																																																																																																																																																																															
ROIC	-7298%	-409%	256%	-626%	-91%																																																																																																																																																																																																																																															
NTA (per share)		0.14	0.00	0.00	0.01	0.01																																																																																																																																																																																																																																														
Working capital	-	0.4	0.1	0.2	0.1	0.0																																																																																																																																																																																																																																														
WC/Sales (%)		-12%	-4%	6%	-2%	0%																																																																																																																																																																																																																																														
Revenue growth			-13%	10%	126%	37%																																																																																																																																																																																																																																														
EBIT growth pa		n/a	n/a	n/a		-163%																																																																																																																																																																																																																																														
Pricing						FY16A	FY17A	FY18F	FY19F	FY20F																																																																																																																																																																																																																																										
No of shares (y/e)	(m)	14	695	1,030	1,030	1,030																																																																																																																																																																																																																																														
Weighted Av Dil Shares	(m)	-	-	860	1,030	1,030																																																																																																																																																																																																																																														
EPS Reported	cps	-	0.97	0.56	0.34	0.05	0.04																																																																																																																																																																																																																																													
EPS Normalised/Diluted	cps	-	0.97	0.56	0.34	0.05	0.04																																																																																																																																																																																																																																													
EPS growth (norm/dil)				n/a	n/a	n/a	-186%																																																																																																																																																																																																																																													
DPS	cps	-	-	-	-	-	-																																																																																																																																																																																																																																													
DPS Growth		n/a	n/a	n/a	n/a	n/a	n/a																																																																																																																																																																																																																																													
Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%																																																																																																																																																																																																																																														
Dividend imputation		30	30	30	30	30																																																																																																																																																																																																																																														
PE (x)		-	-	-	-	73.4																																																																																																																																																																																																																																														
PE market				15.2	15.2	15.2																																																																																																																																																																																																																																														
Premium/(discount)					-100%	383%																																																																																																																																																																																																																																														
EV/EBITDA		6.6	6.4	9.6	32.5	32.8																																																																																																																																																																																																																																														
FCF/Share	cps	0.5	-0.4	-0.3	0.0	0.1																																																																																																																																																																																																																																														
Price/FCF share		6	8	11	110	34.8																																																																																																																																																																																																																																														
Free Cash flow Yield		15.9%	-12.9%	-8.8%	-0.9%	2.9%																																																																																																																																																																																																																																														

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: 11th May 2017



About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

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

Contact Details, BR and RaaS

BR Head Office: Level 2, 129 Robertson Street, Fortitude Valley QLD, 4006

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide?

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

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice.

We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns a fee from companies for providing a research report and/or a financial model on the company, for dealing in its securities or for assisting in raising capital. You don't pay anything.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should

- contact your Adviser and tell them about your complaint, the adviser will follow our internal dispute resolution policy, including sending you a copy of the policy if required
- BR is a member of the Financial Ombudsman Service, our external dispute resolution provider.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08 Email: nfo@fos.org.au

Professional Indemnity Insurance

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.



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