

5-yr \$6.8m Solo deal drives upgrade

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. The company has announced a five year \$6.8m contract with ADT Security New Zealand for Vault Solo. The deal with a minimum of \$1.36m contracted annual recurring revenue lifts current CARR for FY20 to \$8.3m and assures that the company's guidance for a minimum of \$10m CARR for FY20 will be met. In the past four months, Vault has written contracts worth more than \$14m for Solo which will underpin revenues for the next five years. Vault also announced its 4C with CARR at 30 September of \$6.9m, an increase of 86% on PCP and a 13% increase in cash receipts to \$1.26m. We have increased our forecast for FY20 CARR to \$11.0m (previously \$10m) and FY21 CARR to \$19m (prev. \$16m) which has increased our base case DCF valuation to \$1.10/share (prev. \$0.85/share).

Business model

Vault operates a subscription as a service (SaaS) model for its Environmental Health and Safety enterprise platform and for its wearables technology 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 via telcos. Over the past two years, VLT has moved its products from desktop to mobile to an integrated version and, now, a wearables version.

Q1 FY20 result and new Solo contract with ADT security

The company has announced CARR of \$6.922m at the end of September 2019, up \$0.9m from the end of FY19 and up 86% on the previous corresponding quarter. Cash receipts for the period were \$1.26m, up 13% on PCP and ahead of our forecasts. The company has also announced a new \$6.8m, 5 year contract with ADT Security New Zealand for Vault Solo, which importantly establishes a beachhead for Solo with Johnson Controls (NSYE:JCI) which owns ADT Security. This takes total CARR to \$8.3m with the company confident of meeting its market guidance for a minimum of \$10m CARR in FY20. We have increased our forecast for 1H20 CARR to \$8.4m (previously \$8m) and FY20 CARR to \$11.0m (previously \$10m). As a result, we have upgraded our FY20 software revenue forecast by 5.1% to \$5.6m, and total revenue by 4.1% to \$6.9m. Our forecast for FY21 software revenue has lifted 13.4% to \$11.3m and total revenue 12.8% to \$11.8m. We anticipate operational breakeven in H1FY22.

Valuation upgraded to \$1.10/share

Our base case valuation has increased to \$1.10/share (previously \$0.85/share). 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. In our view, 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 reported	NPAT reported	EPS* (c)	P/E (x)	EV/Sales (x)
06/19	6.0	4.3	(3.9)	(4.8)	(4.67)	n.a.	8.3
06/20e	11.0	6.9	(3.7)	(4.1)	(3.36)	n.a.	6.4
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	11.4	2.2

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

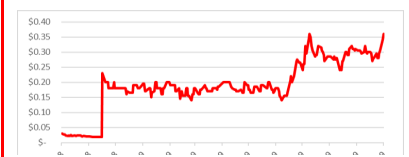
Software services

23rd October 2019

Share details

ASX Code	VLT
Share price	\$0.37
Market Capitalisation	\$47.3M
Shares on issue	128M
Net cash post raise	~\$8.0M
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

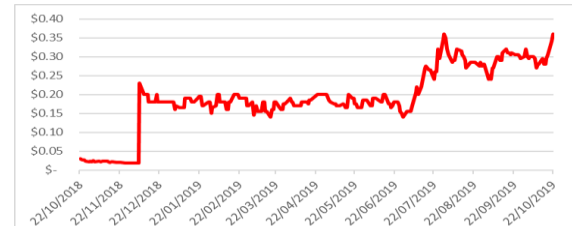
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Exhibit 1: Financial Summary

Vault Intelligence Limited						Share price (22 October 2019)						A\$	0.37				
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)	(2.4)	(1.0)	(0.2)					
Depn	(0.0)	(0.3)	(0.0)	(0.1)	(0.1)	NPAT (normalised)	(2.4)	(2.3)	(1.8)	(2.3)	(1.0)	(0.2)					
Amort	(0.4)	(0.5)	(1.3)	(1.6)	(1.7)	Minorities	0.0	0.0	0.0	0.0	0.0	0.0					
EBIT	(2.7)	(4.8)	(5.0)	(1.2)	4.2	NPAT (reported)	(2.4)	(2.3)	(1.8)	(2.3)	(1.0)	(0.2)					
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	0.2	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)	(1.3)	(1.2)	(0.2)	1.4					
Significant items	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(2.4)	1.0	0.4	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)	(2.9)	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%)	(72.3%)	(9.9%)	22.6%						
Tax	0.0	0.0	0.0	0.0	(0.8)	NPAT pre significant items	(80.9%)	(109.9%)	(72.8%)	(9.6%)	23.6%						
Working capital changes	0.3	0.8	0.4	0.1	0.0	Net Debt (Cash)		2.0	2.2	3.4	4.6	8.3					
Operating cash flow	(2.7)	(3.0)	(2.5)	1.2	6.2	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	9.984	1.388					
Mtce capex	(0.0)	(0.1)	(0.3)	(0.4)	(0.4)	ND/ND+Equity (%)	(%)	(145.1%)	(168.7%)	(99.7%)	(124.4%)	(190.5%)					
Free cash flow	(2.8)	(3.0)	(2.8)	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)	(3.0)	(2.0)	(2.0)	ROA	(60.1%)	(79.3%)	(57.9%)	(9.7%)	24.9%						
Acquisitions/Disposals	(0.5)	0.1	0.0	0.0	0.0	ROE	(100.2%)	(137.5%)	(78.8%)	(14.9%)	42.0%						
Other	0.0	0.0	0.0	0.0	0.0	ROIC	nm	nm	(526.0%)	(150.1%)	920.3%						
Cash flow pre financing	(3.3)	(4.4)	(5.8)	(1.2)	3.7	NTA (per share)		0.02	0.01	0.02	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	1.3	1.1	3.7	EBIT growth pa		n/a	n/a	n/a	n/a	(460.7%)					
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	3.7	4.8	8.5	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)	(3.36)	(0.86)	3.26					
Inventory	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	(3.40)	(4.67)	(3.36)	(0.86)	3.26					
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	(479.6%)					
Total current assets	2.8	3.0	4.9	7.1	12.0	DPS	cps	-	-	-	-	-					
PPE	0.2	0.2	0.5	0.9	1.2	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Intangibles	1.9	2.9	4.6	5.1	5.4	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)		-	-	-	-	-	11.4				
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	5.6	6.4	8.1	Premium/(discount)			(100.0%)	(100.0%)	(100.0%)	(25.3%)					
Total Assets	5.4	6.7	10.6	13.5	20.1	EV/EBITDA		(11.5)	(9.6)	(15.0)	45.1	6.0					
Accounts payable	0.4	1.1	0.2	0.2	0.2	FCF/Share	cps	(2.7)	(2.8)	(1.7)	1.2	4.9					
Short term debt	0.1	0.1	0.1	0.1	0.1	Price/FCF share		-	14	-	13	22.0	31.7	7.5			
Tax payable	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield		(7.4%)	(7.5%)	(4.6%)	3.2%	13.3%					
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	6.9	8.3	12.7												
Share capital	17.9	22.7	30.2	32.7	32.7												
Accumulated profits/losses	(15.2)	(19.8)	(23.9)	(25.1)	(20.7)												
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	6.9	8.3	12.7												

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

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 - Securities
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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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