

Dropsuite – Speculative BUY



Land grabbing in process...

Price: A\$0.06 | Price Target: \$0.12 | ASX: DSE | 30 June 2017

Dropsuite (DSE) announced solid revenue and paid user growth at its latest AGM in late May. Further DSE was able to increase its IT service provider partnerships to 53 from 40 and now includes some significant players in the telecommunications industry (Singtel) as well as website hosting sector such as GoDaddy (the world's largest web hosting and internet domain provider), GMO Pebabo (part of Japan's largest web hosting and internet domain provider), HostPapa (Canada), Blacknight (Europe) and Dreamscape's Crazy Domains (Australia).

- **Solid trading update at recent AGM.** As of April 2017, DSE has 160k paid users, an increase of +111% year on year, or +26% since FY16 results. This equates to ~\$2.37m in annualized revenue or ~\$1.23 monthly revenue per user, up +4% year on year. Further, DSE has added two additional monetizable products and DSE have increased its partners with 53 IT service provider partners from 40 previously.
- **Revenue growth and 'land grabbing' the focus, breakeven second priority.** At our recent meeting with the CEO, Mr. El-Ansari noted that DSE is in a first mover position to undertake a 'land-grab' and grow paid active user significantly before breaking even becomes a focus.

We like DSE for the following reasons:

- 1) **Significant addressable market with first mover advantage.** The digital universe is projected to grow by 10 times from 2013 to 2020, doubling every two years. It is expected that data will reach 44 trillion gigabytes by 2020. ~125 million SMEs worldwide, with two million in Australia alone. ~1 billion websites with potential need for data backup and recovery. According to IDC Research, online data protection and recovery software revenue of ~US\$6 billion per annum, with growth driven by (1) demand for cloud services; (2) increasing prevalence of hacking and cybercrime, and hence demand for recovery of digital assets; (3) increasing understanding of business continuity and disaster recovery planning, especially around reduction in downtime costs, recovery time and data loss.
- 2) **Attractive DSE Products /Offering.** DSE offers a cloud-based software service which enables Small to Medium Enterprises (SME) worldwide to backup, recover and protect their digital assets. DSE developed its software via its in-house engineering team. DSE offers software in three key segments (and in multiple languages): (1) Website: "Dropmysite"; (2) Email: "Dropmyemail"; (3) Server: DSE's Server Backup
- 3) **Business model with recurring revenue and scalable offering = higher margins with each customer acquisition.** DSE benefits from a highly scalable SaaS distribution model and margins expand with each customer acquisition – topline revenues are recurring, development costs fixed, no direct marketing costs (such as costs associated with selling, support, billing or credit risk) which are borne by its IT service provider partners.
- 4) **Experienced Leadership & Team.** In our view, at the heart of DSE is its 23-large engineering team and "Engineering-first" philosophy. The team is led by experienced IT professionals in Mr. El-Ansari, Mr. Hart and Mr. Ruth. DSE's software was developed in-house in Singapore's start-up hub. Its product and engineering team is supervised by CEO, Charif El-Ansari with significant input from cloud computing veterans in Chief Technology Officer, Mr. Ronald Hart and Chief Operating Officer, Mr. Ridley Ruth.
- 5) **Solid revenue/subscriber/partnership momentum from trading update at recent AGM.** As of April 2017, DSE has 160k paid users, an increase of +111% year on year, or +26% since FY16 results. This equates to ~\$2.37m in annualized revenue or ~\$1.23 monthly revenue per user, up +4% year on year. Further, DSE has added two additional monetizable products and DSE have increased its partners with 53 IT service provider partners from 40 previously. At our recent meeting with the CEO, Mr. El-Ansari noted that DSE is in a first mover position to undertake a 'land-grab' and grow paid active user significantly before breaking even becomes a focus.

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- **Valuation.** DSE currently derives no earnings. Valuation of DSE is based on assumptions that DSE's management team is able to execute its strategy. As DSE continues to increase scale, using a DCF approach, gives us an equity value of A\$0.12 per share.

Investment Thesis

DSE's share price will be driven by the following factors:

- Management's efforts in executing and delivering on its strategy is beginning to be reflected in earnings and its accounts.
- Growth in demand data protection and recovery software.
- DSE has first mover advantage in automated website backup with a highly scalable product offering.
- DSE is currently experiencing significant demand for DSE's subscription based products, sold via its IT service provider partners.
- With Dropsuite's traction, there is ongoing empirical proof that its software platform/ecosystem is superior to its closest competitor in CodeGaurd.
- Management's ability to scale its product offering and expand into new markets/geographies.
- Scalable business model with (1) zero direct selling costs and minimal cost to support end-users with such costs borne by IT service provider partners; (2) minimal marginal cost to serve with additional customer acquisition.
- The ability of management to achieve positive earnings after a period of investment in the software/ecosystem.

We see the following key risks to our investment thesis:

- **Obsolescence risk.** Any slowdown in functional improvements via research and development as well as a perception of an inferior offering can result in loss of IT service provider partners and hence an avenue to source earnings.
- **Execution risk.** In our view, management's strategy of (1) increasing its IT service providers partners; (2) increasing its product offering, is not without execution risk. Moreover, whilst the technology platform is operational, there is no certainty that DSE's software has technical and functional superiority to potential competitors. Moreover, barriers to entry are limited in our view.
- **Technology adoption risk.** It remains to be seen whether DSE's software platform will be the technology of choice for vendors, especially in alternative IT sales channels outside Dropsuite's strong position with website hosting providers (e.g. Managed Services Providers, Value-Added Resellers)
- **Valuation.** DSE currently derives no earnings. Valuation of DSE is based on assumptions that DSE's management team is able to execute its strategy. Our DCF is based on normalised earnings in FY17 and onwards and investors should note the one-off costs associated with its initial public offering as well as potential one-offs occurring in the future (for instance, inclusion of these non-recurring one-offs in FY17 should result in negative earnings for DSE).

Dropsuite (DSE) is a ASX-listed company which provides a cloud based software platform that enables SMBs to easily backup, recover and protect their digital assets.

Key investment drivers...

#1 Significant addressable market with first mover advantage. The digital universe is projected to grow by 10 times from 2013 to 2020, doubling every two years. It is expected that data will reach 44 trillion gigabytes by 2020. ~125 million SMEs worldwide, with two million in Australia alone. ~1 billion websites with potential need for data backup and recovery. According to IDC Research, online data protection and recovery software revenue of ~US\$6 billion per annum, with growth driven by (1) demand for cloud services; (2) increasing prevalence of hacking and cybercrime, and hence demand for recovery of digital assets; (3) increasing understanding of business continuity and disaster recovery planning, especially around reduction in downtime costs, recovery time and data loss.

#2 Attractive DSE Products /Offering. DSE offers a cloud-based software service which enables Small to Medium Enterprises (SME) worldwide to backup, recover and protect their digital assets. DSE developed its software via its in-house engineering team. DSE offers software in three key segments (and in multiple languages): (1) Website: “Dropmysite”; (2) Email: “Dropmyemail”; (3) Server: DSE’s Server Backup.

#3 Business model with recurring revenue and scalable offering = higher margins with each customer acquisition. DSE benefits from a highly scalable SaaS distribution model and margins expand with each customer acquisition – topline revenues are recurring, development costs fixed, no direct marketing costs (such as costs associated with selling, support, billing or credit risk) which are borne by its IT service provider partners.

#4 Experienced Leadership & Team. In our view, at the heart of DSE is its engineering team and “Engineering-first” philosophy. The team is led by experienced IT professionals in Mr. El-Ansari, Mr. Hart and Mr. Ruth. DSE’s software was developed in-house in Singapore’s start-up hub. Its engineering team is supervised by CEO, Charif El-Ansari with significant input from cloud computing veterans in Chief Technology Officer, Mr. Ronald Hart and Chief Operating Officer, Mr. Ridley Ruth. Expanding access to software engineering talent, Mr. El-Ansari recently established a software development office in Bandung, Indonesia, which bodes well for future product offerings while reducing personnel costs. In our view, any increase in the size of its engineering also bodes well for succession planning/key man risk (especially around Mr. El-Ansari, Mr. Ruth and Mr. Hart).

#5 Solid FY16 Results / Update at May 2017 AGM. As of April 2017, DSE has 160k paid users, an increase of +111% year on year, or +26% since FY16 results. This equates to ~\$2.37m in annualized revenue or ~\$1.23 monthly revenue per user, up +4% year on year. Further, DSE has added two additional monetizable products and DSE have increased its partners with 53 IT service provider partners from 40 previously. At our recent meeting with the CEO, Mr. El-Ansari noted that DSE is in a first mover position to undertake a ‘land-grab’ and grow paid active user significantly before breaking even becomes a focus.

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Dropsuite (DSE) Overview...

Dropsuite (DSE) is a ASX-listed company which provides a cloud based software platform that enables SMBs to easily backup, recover and protect their digital assets.

Figure 1: Types of risk which DSE products mitigates

TYPE OF RISK	RISK MITIGATION	HOW DROPSUITE HELPS ADDRESS DATA LOSS RISKS
Website / Server Hacking	HIGH	Enables the user to quickly recover a "clean" version of their files and databases with incremental data backup
Email Hacking	HIGH	Enables the user to quickly restore all business's emails, whether it is a cloud platform (e.g. O365 & Gmail) or On-Premise (e.g. Microsoft Exchange)
Ransomware	HIGH	Since multiple copies of the business data is stored independently of the hardware and software in use, data is safe and retrievable, there is no need to pay the ransom.
Employee Accidental or Malicious Data Deletion	HIGH	Enables the business to restore any deleted/lost website files & databases, server files and email with one or two clicks
Data Theft for Sabotage or Profit	LOW	With a data theft, a copy of the data is lost, so the risk remains high. But the original business data is safe.
Natural Disasters / Fires / Electrical Outages	HIGH	Enables the business to restore website files and databases, server files and email to hardware with one or two clicks

Source: Company

Significant Addressable Market with First Mover Advantage...

Large addressable market. According to intel, ~200 billion devices and objects connected to the internet by 2020 (IDC – The Digital Universe of Opportunities, April 2014). The digital universe is projected to grow by 10 times from 2013 to 2020, doubling every two years. It is expected that data will reach 44 trillion gigabytes by 2020. In our view, with minimal competition in the space, the addressable market is significant. DSE's management estimates:

- ~125 million SMEs worldwide, with two million in Australia alone.
- ~1 billion websites with potential need for data backup and recovery.
- According to IDC Research, online data protection and recovery software revenue of ~US\$6 billion per annum, with growth driven by (1) demand for cloud services; (2) increasing prevalence of hacking and cybercrime, and hence demand for recovery of digital assets; (3) increasing understanding of business continuity and disaster recovery planning, especially around reduction in downtime costs, recovery time and data loss.

Further, according to IT research firm, Gartner Inc and their report, "Market Trends: Global Demand for Cloud-Based Security Is Growing Through 2020", "growth in worldwide cloud-based security services will remain strong, reaching \$5.9 billion in 2017, up 21% from 2016". Email security, web security and identity and access management (IAM) being an organisations' top-three cloud priorities with SMEs driving growth as they become more aware of cyber threats. Gartner Inc expects cloud deployments to offer SMEs the ability to reduce costs (relative to "powering and cooling hardware based security equipment and data centre floor space" and other costly implementations and maintenance set ups).

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Figure 2: Worldwide Cloud-Based Security Services Forecast by Segment (US\$m)

Segment (US\$m)	2016	2017	2018	2019	2020
Secure email gateway	654.9	702.7	752.3	811.5	873.2
Secure web gateway	635.9	707.8	786	873.2	970.8
IAM, IDaaS, user authentication	1,650.00	2,100.00	2,550.00	3,000.00	3,421.80
Remote vulnerability assessment	220.5	250	280	310	340
SIEM	286.8	359	430	512.1	606.7
Application security testing	341	397.3	455.5	514	571.1
Other cloud-based security services	1,051.00	1,334.00	1,609.00	1,788.00	2,140.00
Total Market	4,840.10	5,850.80	6,862.90	7,808.80	8,923.60

IDaaS = identity and access management as a service

Source: Company

Competition in automated Cloud website backup is very limited. DSE's closest competitor is privately owned company, CodeGuard which provides internet security tools. The Company offers cloud-based file integrity monitoring tool for monitoring, backup, and restoration of websites. CodeGuard caters to developers, consultants, and website hosters. But we do expect that DSE will face stiffer competition as it expands its product offers into the email and server backup space.

Attractive DSE Products / Offering

Products. DSE offers a cloud-based software service which enables Small to Medium Enterprises (SME) worldwide to backup, recover and protect their digital assets. DSE developed its software via its in-house engineering team. DSE offers software in four key segments (and in multiple languages):

- 1) Website:** "Dropmysite" is DSE's flagship product which provides website backup and recovery to SMEs primarily sold via DSE's IT service provider partners. Features of Dropmysite include (1) secure self-service backup with one-click restoration/migration for databases and websites; (2) restore files from any point in time; (3) track, review, and manage file revision history; (4) end to end 256 bit AES encryption; (5) backup data which is accessible from any device and location with an internet connection; (6) automate cloud backups which can form part of business continuity and disaster recovery plans.
- 2) Email:** "Dropmyemail" provides business continuity and data archiving compliance. Features of Dropmyemail include: (1) automated incremental email backup and archiving; (2) download, restore and migrate emails with one click; (3) end to end 256 bit AES encryption.
- 3) Server:** DSE's Server Backup is an enterprise class server backup product for Linux and Windows servers. DSE's solution works for both virtual private servers and dedicated services. DSE's product installs as a standalone service on client's machine. Features of DSE's Server Backup include: (1) continuous, efficient, and automated server backup in the Cloud; (2) one-click recovery of file(s) or folder(s) from any point in time; and (3) secure AES-256 military grade encryption both in transit and at rest.

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Figure 2: DSE Direct Retail Pricing (for products sold via its website)

Dropmysite		Dropmyemail		Dropmyemail Personal Backup		DSE Server Backup	
Plan	Retail Price (US\$) per Month	Plan	Retail Price (US\$) per Month per mailbox	Plan	Retail Price (US\$) per Month	Plan	Retail Price (US\$) per Month
10 GB	2.50	DME Archiver	4.00	10GB	1.66	50GB	20.00
30	6.67	DME Business Backup	3.00	25	3.33	100	35.00
60	12.50			50	5.83	300	90.00
100	20.83			75	8.25	500	140.00
200	41.67			150	12.91	800	208.00
						1000	240.00

Source: Company

DSE delivers its backup solutions via the SaaS distribution model. DSE predominantly distributes its software to SMEs via IT service provider partners. The business model, in our view, is highly scalable with a fixed research and development cost base (and marketing costs largely borne by IT service provider partners) that sees margin expansion with each customer acquisition.

DSE IT service provider partners. DSE's IT service provider partners integrate DSE software into their platform and then sell them as "Back-as-a-service" to their end user SMEs. Partners are responsible for selling to end users, support, billing and collections. There is no direct relationship between DSE and end user SMEs. DSE invoices its IT service provider partners on a monthly basis based on the number of users and storage plans. Current DSE partners include Ingram Micro (a larger technology distributor), GoDaddy (the world's largest web hosting and internet domain provider), GMO Pebabo (part of Japan's largest web hosting and internet domain provider), HostPapa (Canada), Singtel (Singapore's largest telecommunications company), Blacknight (Europe) and OzHosting (Australia). The majority of contracts between DSE and IT service provider partners are 1-2 years in length and are automatically renewed at the end of the term, unless terminated by DSE or its IT service provider partners.

DSE offers branded, co-branded and white labelled options to IT service provider partners at a discount to its direct product pricing. DSE charges its IT service provider partners at varying levels of discounts to its direct product pricing. DSE's IT service provider partners charge the same as DSE's direct product pricing – margin being the differential (or discount) for the IT service provider partners.

Scalable Business model ...

Recurring revenue and scalable offering = higher margins with each customer acquisition. DSE benefits from a highly scalable SaaS distribution model and margins expand with each customer acquisition – topline revenues are recurring, development costs fixed, no direct marketing costs (such as costs associated with selling, support, billing or credit risk) which are borne by its IT service provider partners.

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In our view, the extent of DSE's success in scaling its business model relies on three facets:

- 1) **Expansion of partner channels.** DSE has increased its partner base from 21 to 53 between FY16 and 1H17.
- 2) **Increasing geographic presence.** DSE continues to expand its geographic base and target markets in North America, Japan, Europe.
- 3) **Expanding product portfolio.** DSE's engineering team continues to introduce new complementary product offerings with its release of DSE Server Backup in 2016.

Experienced Board and Management Team

Charif Elansari — Managing Director & Chief Executive Officer

Mr. Elansari has been the CEO of Dropsuite since 2013 overseeing the company's strategy and operations. He has expanded the business globally with exponential user and revenue growth since his appointment and has launched distribution partnerships with some of the world's largest IT Service Providers.

Previously he was one of the founding leaders of Google's Singapore Asia Pacific HQ, and later led Business Development for Google where he negotiated and launched key Asia partnerships with top mobile operators, led by the company's first Chrome web browser distribution partnership in Asia, built partnerships and alliances with media companies and led the launch of the first localised advertising product in Indonesia.

Prior to working with Google, Mr. El-Ansari held a number of senior positions at Dell such as Director of Client Marketing for Japan and China. And responsible for strategic relationships with Intel, AMD and Microsoft

Theo Hnarakis — Non-Executive Chairman

Mr. Hnarakis is a former Chief Executive Officer with public company director experience, offering skills in technology (including disruptive technology), global growth and brand management.

He graduated from The University of South Australia with a Bachelor of Accounting and has held senior roles with Boral Group, Managing Director roles with News Corporation and PMP Communications Group and was the CEO of ASX 300 listed company, Melbourne IT Limited, from 2002 until 2013. Theo has held director roles with Neulevel, a JV based Nasdaq company, Neustar and with Advantate, a JV with Fairfax Media.

From 2014 until 2016, Theo served as a Non-Executive Director and ARMC Chairman of NewZulu, and ASX listed digital media company, and is currently Non-Executive Chairman of ASX listed Crowd Mobile, a company specialising in the M-Payments space.

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Theo has also assisted ASX technology companies such as Infomedia in setting future strategy and continues to work on the advisory boards of Cryptophoto, and Longlake Research.

Dr Bruce Tonkin — Non-Executive Director

Dr Tonkin has more than 15 years of experience taking cloud based services to global markets across the USA, Europe, and Asia. In his previous roles as chief technology officer and chief strategy officer at Melbourne IT. In that time Melbourne IT's annual revenue grew from \$15m to a peak of \$200m. He is currently leading the .au Registry Transformation project at .au Domain Administration Ltd (auDA).

Zoran Grujic — Chief Financial Officer & Company Secretary

Mr. Grujic has extensive experience in the field of finance with a diverse set of skills and capabilities in the areas of capital raising, corporate strategy and financial review. He has held senior finance positions in a variety of industries including FMCG, Not for Profit and Transport prior to listing technology company, 8common Limited, on the ASX (ASX: 8CO). He is currently a Non-Executive Director and Company Secretary for 8common Limited.

Ridley Ruth — Chief Operating Officer

Mr. Ruth has over 20 years' experience in managing sales and marketing organisations encompassing strategy, business development, product management, business planning and contract negotiations. He has a strong background in SaaS, internet marketing, Cloud backup and IT security. His last major role prior to joining Dropsuite was VP of sales at Stop The Hacker that was acquired by Cloudflare, a larger Silicon Valley security company.

Ron Hart — Chief Technology Officer

Mr. Hart is an IT Professional with over 25 years experience in all facets of computing. He has been the CTO of Dropsuite since 2011. He has successfully overseen the engineering team to build a highly scalable cloud backup platform, a best-in-class website backup platform, established world-class partner integration capabilities and launched Dropsuite services with some of the world's biggest IT Service Providers.

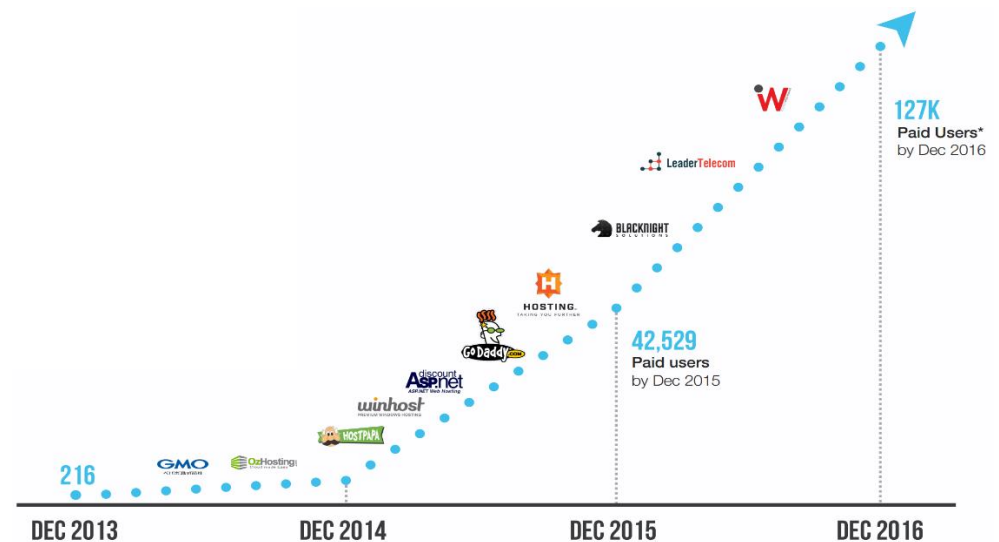
Solid FY16 Results / Update at May 2017 AGM

Solid revenue/subscriber/partnership momentum from trading update at recent AGM. As of April 2017, DSE has 160k paid users, an increase of +111% year on year, or +26% since FY16 results. This equates to ~\$2.37m in annualized revenue or ~\$1.23 monthly revenue per user, up +4% year on year. Further, DSE has added two additional monetizable products and DSE have increased its partners with 53 IT service provider partners from 40 previously.

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Revenue growth the focus, breakeven second priority. At our recent meeting with the CEO, Mr. El-Ansari noted that DSE is in a first mover position to undertake a 'land-grab' and grow paid active user significantly before breaking even becomes a focus.

Figure 3: Strong paid user growth



*160k paid users as of April 2017
Source: Company

Figure 4: FY16 Profit and Loss Summary + May 2017 AGM Update

	AGM (Ap 2017)	% Change	FY16	% Change	FY15
Revenue			1,381,939	368%	295,418
Gross Profit			1,044,283	2026%	49,111
Gross Margin (%)			75.6%		16.6%
Expenses			8,395,609	710%	1,036,043
Underlying EBITDA loss			-7,152,121	nm	986,932
Underlying Net loss			-7,351,326	nm	986,932
Normalised EBITDA loss			-1,741,368	nm	- 986,932
Normalised net loss			-1,940,573	nm	- 986,932
Operating metrics					
Active users	160,000	26.0%	127,000	202.4%	42,000
Partners	53	32.5%	40	100.0%	20
Revenue per user (\$)	1.23	7.0%	1.15	15.0%	1

* Normalised earnings excludes for expenses, which include one-off listing fees of ~\$5.4m in 2016
Source: Company

Figure 5: FY16 Balance Sheet

	FY16	FY15	% Chg
Assets			
Cash	5,338,507	16,161	329.3
Trade & the receivables	322,407	107,605	2.0
Other assets	96,472	5,740	15.8
PPE	9,108		
Intangible assets	1,142,632	810,251	0.4
Investments	9,135		
Total Assets	6,918,261	939,757	6.4
Liabilities			

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Trade & other payables	2,611,823	259,629	9.1
Deferred income	45,542		
Borrowing	295,116		
Total Liabilities	2,952,481	259,629	10.4
Net assets	3,965,780	680,128	4.8
Equity			
Total equity	3,965,780	680,128	4.8

Source: Company

Valuation summary...

As DSE continues to increase scale, we value DSE using a DCF approach, which gives us an equity value of ~A\$0.12 per share. Our DCF is based on normalised earnings in FY17 and onwards and investors should note the one-off costs associated with its initial public offering as well as potential one-offs occurring in the future (for instance, inclusion of these non-recurring one-offs in FY17 should result in negative earnings for DSE). With DSE's highly scalable business model, we have assumed normalised EBIT margins of 45% from FY17 onwards. **DCF assumptions** - we have derived our DCF valuation using an LT growth rate of 6.0% (higher than global economic growth, WACC of 9.4% (cognisant of execution risks), LT debt to equity ratio of 30% and cost of debt of 6.0%. We note that DSE's addressable market is ~125 million SMEs that are online. Of this, DSE's reach via its IT service provider partners is ~25 million, (of which ~160k are current DSE backup users). Consistent with the CEO, we believe that DSE should be able to increase its current user base via its IT service providers. We also ignore the potential for 1) further partnership agreements and 2) upcoming products in our numbers.

Figure 6: DSE DCF valuation

Discounted Cash Flow (DCF)	Forecasted Period				
	2017E 30/06/17	2018E 30/06/18	2019E 30/06/19	2020E 30/06/20	2021E 30/06/21
Revenue	2.4	3.0	3.8	4.7	5.9
EBIT	1.1	1.4	1.7	2.1	2.6
YoY Growth	na	25.0%	25.0%	25.0%	25.0%
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%
EBIAT	0.8	0.9	1.2	1.5	1.8
Unlevered Free Cash Flows	0.7	0.9	1.2	1.4	1.8
Discount factor	0.996	0.910	0.832	0.761	0.696
Midyear adjustment factor	1.002	1.046	1.046	1.046	1.046
Present Value of Free Cash Flows	0.7	0.9	1.0	1.2	1.3
Sum of present values of FCF	5.1				

Equity Value		Terminal Value	
Firm Value	46.4	Growth in Perpetuity Method	
Less: Net Debt	0.2	Long-term growth rate	6.0%
Equity Value	46.2	Free cash flow (t+1)	1.9
# Shares Outstanding (m)	386.0	Terminal Value	56.8
Equity Value Per Share	\$0.12	Mid-year adjusted Terminal Value	59.4
Current Price	\$0.06	Present Value of Terminal Value	41.3
Upside / Downside	99.3%	Enterprise Value	46.4
Key Assumptions:		Exit multiple method	
Risk-free Rate	4%	Exit EV / EBIT multiple	15.0x
Equity risk premium	5.50%	LTM EBIT at end of projection	2.6
Net Debt / Equity	30%	Terminal value	39.6
Equity Beta (source: Bloomberg)	1.2	Present value of terminal value	17.6
Cost of Equity	10.6%	Enterprise value	22.7
Add: Management Execution Risk	1%	Select a terminal value method	
Adjusted Cost of Equity	11.6%	Perp growth = 1 / Exit multiple = 2	1
Cost of Debt (before tax)	6.0%	Enterprise value	46.4
Tax Rate	30.0%	TV as percent of total value	89.0%
Weighted Average Cost of Capital	9.4%		

Source: Company; Red Leaf

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