Orbital Corporation (OEC)

Looking through the 1H21 result = buying opportunity

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KEY POINTS

It's the end of a long week for small cap analysts, so lets get straight to the point. OEC downgraded in early February (due to a major customer issue unrelated to OEC). The stock got sold off. The 1H21 result had no new news and is slightly negative due to some unexpected non-cash abnormals. The stock has come off a little more following the result, nothing unexpected.

The points we are leading up to are that OEC:

- Has a market leading product (by a significant margin in our opinion) in the niche TUAV market, which has high growth;
- Has high growth contracted, but ramps up steadily over the next four years;
- New customers take several years to properly onboard due to an engineering phase that must be completed first, but once locked in, it would be hard for them to go anywhere else. OEC has two customers in this phase;
- Has several other companies that it is targeting to supply, one of them is very large. These too will take time to on-board, but longer term, would provide a large recurring earnings stream; and
- You don't own OEC for today's results, you own it for its long-term growth potential, which has much higher probability of occurring relative to most other ASX listed companies.

The upcoming potential catalysts are:

- Securing an additional new global defence prime customer, with one of the two largest TUAV suppliers a target (it already supplies engines to the other), plus several smaller ones;
- Moving to production on the 3rd Engine (of five engines) with Insitu. This should add ~$20m pa of revenue. This is guided to occur in 4Q21, though confirmation of starting production would be well received, we feel.

Historically, the share price has had sharp increases on the back of positive announcements. Whilst OEC would likely drift lower on no news or delays to Engine 3 with Insitu, the longer-term investment thesis is compelling, in our opinion. If everything went to scrip, OEC could be turning over ~$200 in FY26 or FY27 (vs. $30-40m in FY21). Being in manufacturing, EBITDA and NPAT have leverage to revenue growth, plus if it delivered, it would also get re-rated.

The investment decision comes down to weighing up execution risk vs return. We have done some DD on the quality of OEC's product, and we think they are well positioned to secure a very high proportion of the available market.

INVESTMENT VIEW

Due to long term contracted growth, we use DCF to value OEC. We have made some minor adjustments (up and down) to forecasts, with a resulting DCF valuation of $1.45/share relatively unchanged (from $1.44).

We appreciate that short term sentiment has gone against OEC and yes the anticipated growth has been delayed, but in our opinion, it has not gone away. We view the recent share price decline as a buying opportunity, but caveat this with the point that OEC is a long-term investment that is likely to have steady growth rather than huge immediate share price upside.

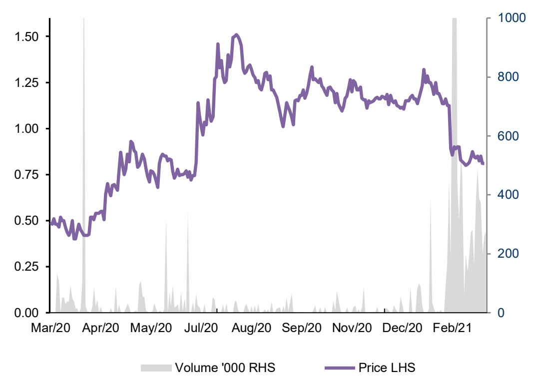
Recommendation	BUY
Previous Recommendation	Buy $1.44
Risk Rating	High
Current Share Price	$0.81
12 Month Price Target	$1.45/share
Price target Methodology	DCF
Total Return (Capital + Yield)	79%
FY23F ROIC	29%
Market Capitalisation	$63m
Liquidity	$300k/day

Financial Forecasts & Valuation Metrics

OEC Y/E Jun A$m	FY20A	FY21F	FY22F	FY23F
Revenue	33.8	35.5	51.5	69.4
EBITDA	1.0	0.0	5.4	11.6
EPS Adj (c)	-0.7	-1.8	2.4	7.2
EPS Growth	87%	-178%	228%	204%
DPS (c)	0.0	0.0	0.0	0.0
EV/EBITDA (x)	61.8	n/m	12.3	5.5
PE Underlying (x)	(121.9)	(43.8)	34.1	11.2
Gearing (%)	-1%	30%	20%	2%
ROIC %	(3%)	(6%)	12%	29%

Source: PAC Partners estimates

12 Month Share Price and Volume



Key Milestones

- Potential to be re-rated in line with global peer multiples, which would deliver >100% share price upside.
- Details around a potential new agreement with Textron, its 2nd largest customer.
- An update on the progress of the 3rd engine to come into production, currently forecast late FY21.
- Additional contract wins, with negotiations occurring with several potential new clients.
- Northrop Grumman consortium winning the FTUAS contract.

Operations Overview

The share price seems to have closely followed the near-term profit outlook of OEC. You own OEC for its long-term outlook and those that understand the company well probably do not care a lot about the FY21 result

FY21 GUIDANCE

OEC re-iterated recently revised FY21 operating revenue guidance of $30-$40m. Whether OEC delivers towards the top end of its guidance depends on the timing of production commencing on its 3rd engine with Insitu. OEC reiterated production is likely to commence in 4Q21, we assume FY22 in our forecasts and allow for a period of ramp up before a normalised production rate is achieved in FY23. For OEC to re-iterate the timeframe of 4Q21, implies they expect to be ready, but the start time depends on receiving first orders from the customer.

Other outlook statements made on the results call were that OEC was:

- Targeting additional new customer contracts; and
- Working with recently secured customers (a Singapore defence prime and Northrup Grumman) to convert Engineering works contracts into production of engines.

Having less reliance on Insitu would further de-risk OEC.

In our opinion, it is likely that OEC secures new supply contracts due to its market leading solution in a niche market. As seen from other contract win announcements, they tend to material catalysts for OEC's share price. A deal with Textron (an existing client, but only small revenue at present) appears the most likely next contract win, and any such deal has the potential to be substantial. We see Insitu and Textron as the two global leaders in TUAV's.

The process of taking a client from development to production is time consuming. This could occur faster than we assume, as development work has been occurring for some time now for two clients.

PEER COMPARISONS

Figure 1 includes close global peers, implying companies in the drone sector trades on high multiples

Figure 1: Peer comparisons

	Share	Mkt	Gearing	EV/EBITDA (x)		PER (x)	
Company	Price A$	Cap $m	ND/ND+E	FY21F	FY22F	FY21F	FY22F
Aerojet Rocketdyne	64.79	4,946	196%	10.6x	10.6x	25.8x	25.1x
AeroVironment, Inc.	139.60	3,417	-104%	35.7x	30.1x	59.1x	51.7x
Austal Limited	**2.30**	**824**	**-42%**	**3.3x**	**2.9x**	**9.7x**	**9.7x**
Elbit Systems Ltd.	164.98	7,292	31%	11.8x	10.6x	n/m	n/m
Electro Optic System	**4.86**	**727**	**-45%**	**10.3x**	**7.2x**	**18.9x**	**14.1x**
HEICO Corporation	160.69	20,418	11%	33.3x	27.7x	59.5x	47.5x
Kratos Defence	35.82	4,431	1%	39.7x	30.4x	65.5x	46.7x
Textron Inc.	63.54	14,377	31%	10.0x	8.8x	17.9x	14.8x
Average				**19.3x**	**16.0x**	**36.6x**	**29.9x**
Orbital Corporation	**0.85**	**66**	**30%**	**12.9x**	**5.7x**	**35.8x**	**11.8x**
Difference to Peers				**-33%**	**-64%**	**-2%**	**-61%**

Source: CapIQ

A key investment thematic of OEC is that global peers in the UAV sector trade on very high multiples. Due to OEC's size, we would not expect to trade at these multiples; however, due to the large discount that OEC trades on relative to peers, material rerating potential exists.

1H21 Results Summary

OEC had pre-guided 1H21A and FY21F revenue. We had recently lowered our forecasts taking into account the new guidance. The 1H21 result came in more or less as expected, apart from some non-cash abnormals.

Figure 2: 1H21 result summary

($m)	1H20A	2H20A	1H21A	2H21F	1H21A 1H20A %	FY20A	FY21F	YoY Chg
Australia	10.6	17.7	14.6	5.9	38%	28.2	20.5	(27%)
US	0.8	4.7	4.4	10.6	424%	5.6	15.0	168%
Operating Revenue	**11.4**	**22.4**	**19.0**	**16.5**	67%	**33.8**	**35.5**	5%
Other (including abnormals)	0.8	4.3	0.0	0.0	(100%)	5.1	0.0	(100%)
Total Revenue	**12.2**	**26.7**	**19.0**	**16.5**	**56%**	**38.9**	**35.5**	**(9%)**
Est. COGS	(9.0)	(11.6)	(12.0)	(9.6)	34%	(20.6)	(9.3)	(55%)
Gross Profit	3.2	10.6	7.0	6.8	118%	13.9	8.0	(42%)
Overheads	(4.3)	(8.5)	(6.5)	(7.4)	49%	(12.9)	(6.9)	(46%)
Underlying EBITDA	**(1.1)**	**2.1**	**0.6**	**(0.6)**	**(152%)**	**1.0**	**(0.0)**	**(104%)**
Depreciation & Amortisation	(1.0)	(0.9)	(0.9)	(1.0)	(5%)	(1.9)	(1.9)	2%
Total EBIT	**(2.1)**	**1.2**	**(0.4)**	**(1.6)**	**(82%)**	**(0.9)**	**(2.0)**	**127%**
Interest	(0.4)	(0.2)	(0.4)	(0.2)	(13%)	(0.6)	(0.6)	(5%)
Profit before tax	(2.5)	1.0	(0.7)	(1.8)	(71%)	(1.5)	(2.6)	72%
Tax	0.9	0.0	0.0	0.8	(100%)	0.9	0.8	(17%)
UNPAT	**(1.6)**	**1.1**	**(0.7)**	**(1.0)**	**(54%)**	**(0.6)**	**(1.8)**	**215%**
Abnormals	0.0	3.5	(3.2)	(0.0)	NM	3.5	(3.2)	(191%)
Tax on abnormals	0.0	(1.0)	0.0	0.0	NM	(1.0)	0.0	(100%)
Reported NPAT	**(1.6)**	**3.5**	**(3.9)**	**(1.1)**	**140%**	**1.9**	**(5.0)**	**(367%)**
Underlying EPS	**(2.1)**	**1.6**	**(0.7)**	**(1.2)**	(65%)	**(0.5)**	**(1.9)**	**277%**
DPS (cps)	0.0	0.0	0.0	0.0		0.0	0.0	
Operating Cashflow	(3.4)	7.1	(5.0)	1.7	(170%)	3.7	(3.2)	(187%)
Op. CF / EBITDA	304%	334%	-872%	-284%		367%	7676%	
Gearing (ND/ND+E)	27%	-1%	33%	30%		-1%	30%	
Total EBITDA Margin	**-9.1%**	**7.9%**	**3.0%**	**-3.7%**		**2.6%**	**-0.1%**	

Source: OEC and PAC Partners

Near term results have little bearing on the investment thesis of OEC, but can affect near term sentiment. The 1H21 result is likely to have a marginally negative sentiment due to the abnormal costs

KEY FEATURES OF THE 1H21 RESULT

Revenue was in line with guidance. The 2nd Engine (represented by the US revenue line) appears to be ramping up slower than we expected, with the Australian operations expected to be the most impacted by the recent revenue guidance reduction, that mostly impacts the next 12 months of revenue expectations.

EBITDA: OEC has a high amount of fixed costs and had geared up for higher production. The unexpected reduction in sales to its major client in 2H21 is likely to reduce EBITDA due to the installed cost base.

One off Items. The 1H21 result had two unexpected costs (both non-cash), that have impacted the statutory NPAT line, being:

- A $1.3m tax asset being written off. This is an expected future tax benefit that will no longer be received; and
- A $2.4m foreign exchange loss. As OEC has US assets, the higher A$:US$ FX rate has resulted in a negative movement in asset values. A positive $0.5m FX movement also occurred (in other income). We treat the net $1.9m of FX movements as a one off. FX movements are likely to be a part of OEC going forward, we just hadn't anticipated such a large negative movement.

Being non-cash, they only impact the statutory NPAT result, though they do also lower the equity value in the Balance Sheet, which has pushed up gearing ratios.

1H21 Underlying NPAT came in at -$0.1m, around breakeven. We expect a slightly larger NPAT loss in the 2H21, though OEC appears to be close to breakeven for FY21.

Operating cashflow was -$5.0m. At first glance, this seems a terrible result. If you dig deeper, we expect to see a good recovery in operating cashflow in the 2H21:

The lowlight was operating cashflow, but it is easily explained. We expect a cashflow rebound in 2H21

- Inventory increased by $2.7m in the half as OEC was building inventory to support higher expected sales and cover any potential supply chain delays; and
- Debtors increased by $4.6m, no doubt driven by late payment from a major client. OEC indicated debtors has subsequently declined to more normalised levels.

OEC should be able to work through excess stock in 2H21 and hopefully the late payment issue does not repeat at the FY21 result.

Gearing (ND/ND+E) sits at 33%. This is above where we would like to see it for a company the size of OEC, however it should reduce going forward, assuming working capital is recovered from inventory and debtor reductions.

Forecast Earnings Changes

Our forecast changes decrease EBITDA for FY21 to FY23 by $0.2m, $1.2m and $0.6m respectively, see Figure 3. We believe our revenue forecast of $35.5m for FY21 is on the conservative side, but we felt it is better to not set expectations too high, as the outcome hinges mostly on one customer, meaning OEC has low influence on the final FY21 sales outcome.

Figure 3: Forecast Changes

	Old			New			Difference		
$m	**FY21F**	**FY22F**	**FY23F**	**FY21F**	**FY22F**	**FY23F**	**FY21F**	**FY22F**	**FY23F**
Revenue									
Australia	15.5	16.5	26.4	20.5	36.5	39.4	5.0	20.0	13.0
US	20.0	38.0	45.0	15.0	15.0	30.0	(5.0)	(23.0)	(15.0)
Total Revenue	**35.5**	**54.5**	**71.4**	**35.5**	**51.5**	**69.4**	**0.0**	**(3.0)**	**(2.0)**
EBITDA	0.2	6.6	12.2	(0.0)	5.4	11.6	(0.2)	(1.2)	(0.6)
Depreciation & Amort	(2.1)	(2.3)	(2.6)	(1.9)	(2.1)	(2.4)	0.2	0.2	0.2
Total EBIT	**(1.9)**	**4.3**	**9.6**	**(2.0)**	**3.3**	**9.2**	**(0.1)**	**(1.0)**	**(0.4)**
Net Interest	(0.5)	(0.7)	(0.7)	(0.6)	(0.7)	(0.7)	(0.0)	(0.0)	(0.0)
Tax	0.7	(1.1)	(2.7)	0.8	(0.8)	(2.5)	0.0	0.3	0.1
Underlying NPAT	**(1.7)**	**2.5**	**6.3**	**(1.8)**	**1.8**	**5.9**	**(0.1)**	**(0.7)**	**(0.4)**
Abnormals	0	0	0	(3.2)	0.0	0.0	(3.2)	0.0	0.0
Reported NPAT	**(1.7)**	**2.5**	**6.3**	**(5.0)**	**1.8**	**5.9**	**(3.3)**	**(0.7)**	**(0.4)**
Underlying EPS (cps)	**(1.7)**	**3.2**	**7.6**	**(1.8)**	**2.4**	**7.2**	**(0.1)**	**(0.8)**	**(0.4)**
EBITDA Margins	**0.6%**	**12.1%**	**17.1%**	**-0.1%**	**10.5%**	**16.7%**			

Source Pac Partners

OEC has contracted growth for FY22 and should have a full year of production of a third engine with Insitu. The positive is that if OEC is around breakeven on FY21 revenue, it has a very high probability of delivering meaningful earnings in FY22

Key assumption changes made include:

- A slight lowering of revenue in FY22 and FY23 to be more conservative in terms of the recovery in sales with their major client Insitu;
- FY21 underlying EBITDA is up slightly on slightly lower fixed costs forecast. EBITDA in subsequent years fall due to lower revenue;
- Depreciation has been slightly reduced;
- We have lowered our operating cashflow expectations following the $5.0m outflow in 1H21;
- Previously we had not assumed the conversion of the Singapore defence contractor to a customer buying engines. Whilst you do not see this change in our forecasts above, we now assume higher revenue in FY24 and beyond; and.
- We add in the two one off non-cash items as abnormal items, though net the FX income against the FX loss. This results in $3.2m of abnormals for 1H21.

Investment view and valuation

We use DCF to value OEC. Should OEC be successful in diversifying its customer base and continues to grow the top line, it could get rated as a manufacturing tech company, and command a higher multiple.

DCF ANALYSIS

Our DCF valuation is relatively unchanged, but still represents a lot of upside from the current share price

We leave our DCF assumptions unchanged. Due to slightly lower medium-term revenue forecasts, moving to 1H21 debt (significantly higher) and slightly higher longer-term revenue assumed from converting a development contract to a production contract, our DCF valuation moves to $1.45/share (from $1.44), see Figure 4.

Figure 4: DCF valuation

Present value of cashflows FY21 to FY30	42
Present value of terminal year cashflow	78
Net Debt at 1H21A	(7)
Present value of equity	113
Diluted Shares on issue	78
Present value per share	**$1.45**

Source: PAC Partners

INVESTMENT VIEW

OEC could be a bottom drawer stock that over several years could deliver material returns

We forecast a 12-month TSR of 79% and retain a Buy recommendation.

OEC has been sold off post a recent guidance downgrade and we do not expect any rebound on the back of the 1H21 result. What we do note is that OEC has indicated it hopes to secure additional contracts with customers and has had this message for some time. We would have thought something would have already been announced. When something has taken longer than expected, it is probably close, as we the target have not gone to a competitor.

In our opinion, OEC has catalysts that could move the share price. The recent share price weakness has created a buying opportunity.

The investment thesis is simple, and we see it as follows:

- OEC has a market leading product in a niche market with only small competitors that are unlikely to match OEC's product quality or manufacturing capability;
- Defence markets are slow to transition to new products, but when they do, they tend to provide recurring, long dated revenue streams;
- OEC has one very large contract that promises high growth over a five-year time horizon with Insitu, that alone could see OEC get to ~$100m of revenue pa;
- OEC has several other contracts in the development phase that become material in several years-time as they transition to production; and
- OEC also deals with Textron (the other major TUAV supplier alongside Insitu) via a parts supply agreement. OEC is working towards securing an engine supply agreement that could see sales to Textron multiple by a factor of many. This is probably the most likely next catalyst for OEC, though it may not eventuate. If it does, timing is impossible to predict.

There have been a few hiccups along the way and things have taken longer than expected to transpire. Nonetheless, OEC has the potential to be a +$200m revenue company in around five years-time, assuming what is in front of it converts to production contracts. Considering we are forecasting $35m revenue for FY21, this is an uplift of nearly 5x.

As OEC is a manufacturing company, we would expect EBITDA and NPAT to grow at a much higher rate than revenue.

You are buying OEC today for its likely future performance and strong positioning in the TUAV market. Peers trade at high multiples.

We don't see OEC rallying much on the 1H21 result, but any positive contract announcements or commencement of engine three with Insitu on time could see the share price flying high again.

Financial Model

Orbital Corporation Share Price ($) 0.81 Mkt Cap: ($m) 63 **Buy**

PROFIT & LOSS ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Operating Revenue	**15.0**	**33.8**	**35.5**	**51.5**	**69.4**
EBITDA	(3.2)	1.0	(0.0)	5.4	11.6
Depreciation	(0.9)	(1.6)	(1.6)	(1.8)	(2.1)
Amortisation	(0.0)	(0.2)	(0.3)	(0.3)	(0.3)
EBIT	**(4.2)**	**(0.9)**	**(2.0)**	**3.3**	**9.2**
Net Interest	(0.4)	(0.6)	(0.6)	(0.7)	(0.7)
Income tax expense	0.0	0.9	0.8	(0.8)	(2.5)
UNPAT pre abnormal	**(4.5)**	**(0.6)**	**(1.8)**	**1.8**	**5.9**
Abnormal Items	(1.4)	2.4	(3.2)	0.0	0.0
Reported NPAT	**(5.9)**	**1.9**	**(5.0)**	**1.8**	**5.9**
Normalised NPATA	**(4.5)**	**(0.6)**	**(1.6)**	**2.0**	**6.1**

KEY RATIOS	FY19A	FY20A	FY21F	FY22F	FY23F
EBITDA Margin (%)	-21.4%	3.0%	-0.1%	10.5%	16.7%
EBIT Margin (%)	-27.7%	-2.6%	-5.5%	6.4%	13.3%
NPAT Margin (%)	-39.4%	5.5%	-13.9%	3.5%	8.6%
ROE (%) y/e	-28.4%	-3.1%	-13.6%	12.1%	28.4%
ROA (%) y/e	-15.8%	-3.0%	-5.5%	11.2%	25.1%
ROIC (%) Av.	-15.9%	-3.3%	-5.7%	11.8%	28.6%
NTA per share ($)	0.19	0.22	0.16	0.18	0.26
Eff Tax Rate (%)	0.8%	61.9%	30.0%	30.0%	30.0%
EBIT Interest Cover (x)	(6.8)	(1.4)	(2.8)	4.9	12.9
Gearing ND/ND+E (%)	4.7%	(0.8%)	29.9%	19.7%	2.4%
OPCF / EBITDA (%)	(55%)	367%	7676%	82%	57%

BALANCE SHEET ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Cash	7.5	8.7	4.0	5.9	9.1
PP&E	4.5	4.2	4.8	5.3	6.5
Debtors & Inventory	13.8	14.7	14.7	17.1	21.4
Intangibles	0.9	0.9	0.8	0.7	0.6
Other assets	7.2	9.3	10.1	9.3	9.3
Total Assets	**33.8**	**37.8**	**34.4**	**38.4**	**47.0**
Borrowings	8.3	8.6	9.6	9.6	9.6
Trade Creditors	4.1	4.5	4.6	5.7	7.6
Other Liabilities	5.5	6.6	7.0	8.2	8.8
Total Liabilities	**17.9**	**19.7**	**21.3**	**23.4**	**26.1**
Shareholder Equity	**16.0**	**18.1**	**13.2**	**15.0**	**20.9**

VALUATION METRICS	FY19A	FY20A	FY21F	FY22F	FY23F
Dil. Normalised EPS (c)	-5.3	-0.7	-1.8	2.4	7.2
Dil. Reported EPS (c)	-7.0	2.2	-5.8	2.1	7.0
Dil. Normalised PE (x)	**-15.3**	**-121.9**	**-43.8**	**34.1**	**11.2**
Dil. Reported PE (x)	**-11.6**	**37.2**	**-14.0**	**38.1**	**11.6**
Enterprise Value ($m)	64	63	68	67	63
EV / EBITDA (x)	**-19.8**	**61.8**	**-1620.3**	**12.3**	**5.5**
EV / EBITA (x)	**-15.4**	**-101.5**	**-41.1**	**18.4**	**6.7**
EV / EBIT (x)	**-15.2**	**-72.5**	**-34.9**	**20.0**	**6.9**
Price / NTA (x)	4.2	3.7	5.1	4.4	3.1
DPS (c)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0%	0%	0%	0%	0%
Free Cash / Share (cps)	-4.1	3.7	(6.7)	2.3	3.7
Price / FCF PS (x)	-19.7	21.8	(12.0)	35.6	22.0
Net Debt / EBITDA (x)	(0.2)	(0.1)	(132.6)	0.7	0.0

CASHFLOW ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Operating EBITDA	**(3.2)**	**1.0**	**(0.0)**	**5.4**	**11.6**
Interest & Tax Paid	0.2	(0.0)	(0.6)	(0.7)	(3.3)
Working Cap.	4.8	2.7	(2.6)	(0.2)	(1.7)
Operating CF	**1.8**	**3.7**	**(3.2)**	**4.4**	**6.6**
Maintenance Capex	(3.0)	(0.5)	(0.3)	(0.3)	(0.3)
Expansion Capex	(2.3)	(0.0)	(2.2)	(2.2)	(3.2)
Free Cashflow (FCF)	**(3.5)**	**3.2**	**(5.7)**	**1.9**	**3.1**
Ord & Pref Dividends	0.0	0.0	0.0	0.0	0.0
Net Other	(0.1)	(1.3)	0.0	0.0	0.0
Net Cashflow	**(3.6)**	**1.8**	**(5.7)**	**1.9**	**3.1**

GROWTH PROFILE (YoY)	FY19A	FY20A	FY21F	FY22F	FY23F
Sales ($m)	-34%	125%	5%	45%	35%
EBITDA ($m)	-215%	-132%	104%	######	114%
EBIT ($m)	-284%	-79%	-127%	-269%	177%
Adj. NPAT ($m)	-360%	-87%	-178%	228%	204%
Adj. EPS (c)	-336%	-87%	-178%	228%	204%
DPS (c)	0%	0%	0%	0%	0%

DIVISIONAL P&L ($m)	FY19A	FY20A	FY21F	FY22F	FY23F
Australia	14.5	28.2	20.5	36.5	39.4
US	0.5	5.6	15.0	15.0	30.0
Other	2.1	5.1	0.0	0.0	0.0
Total Revenue	**17.2**	**38.9**	**35.5**	**51.5**	**69.4**

DCF VALUATION			
PV of Cashflows FY20-29	42	Risk Free Rate	5.0%
PV of Term Year Cashflow	78	Equity Risk Premium	5.0%
Other	0	Equity Beta (x)	1.25
Net Debt at 1H21A	7	Cost of Equity	11.3%
PV of Equity	113	WACC	10.9%
PV of Equity per share	**$ 1.45**	Terminal Growth	3.0%

DIRECTORS	%		%
John Wellborn	1.1%	Kyle Abbott	0.0%
Todd Adler	0.5%	Steve Gallagher	0.1%
		Total	**1.7%**

SUBSTANTIAL HOLDERS	%		%
ICM Limited	29.9%	First Sentier Investors	10.3%

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PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Buy	Hold	Sell
>20%	20% – 5%	<5%

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