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# Edison Talks Tech

## Auckland

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Welcome to the Edison research guide for our inaugural Edison Talks Tech conference in New Zealand.

Edison has grown to become one of the largest independent equity research companies in the world. Our team of more than 120 equity analysts and investment professionals works with leading companies, fund managers and investment banks worldwide to support their capital markets activity.

We provide equity research and investor access services to more than 450 retained corporate and 60 investor access clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Our research can be accessed free of charge at www.edisongroup.com.

We continue to grow strongly in New Zealand following the addition of several new NZX-listed retained research and Investor Access clients. We have also recently been appointed by NZX as the exclusive research provider to companies listed on the new NXT market.

Our growth in New Zealand is a reflection of the strength of our global distribution network and our sector-specialist analytical capacity in Asia Pacific, North America and the UK, supporting our retained research clients around the world and marketing them to a global investor base.

We hope you find our conference informative and we look forward to supporting your capital markets activity in the future.

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# Edison Talks Tech

## Contents

# Introduction

Dan Ridsdale: Global Head TMT

## Welcome to Edison Talks Tech

**The rapid pace of development and diversity within the technology sector make it both one of the most rewarding and the most challenging to play from an investment perspective. As the rate of innovation accelerates across so many different disciplines and so many vertical and geographical markets, so the opportunities for value creation are increasing. Equally, gaining an in-depth understanding of the investment case becomes more challenging, as technology becomes more involved, the pace of development accelerates, business models change and competition globalises. At Edison, we feel we have built a unique global platform for bridging this gap and our inaugural Australia and New Zealand 'Edison Talks Tech' conferences are an important new component in this. We hope you find them enjoyable, informative and effective.**

**Unrivalled capacity to create value**

The technology sector is unrivalled in its ability to rapidly create significant value. In the US, technology companies account for five out of the top 10 best performing stocks over the past decade, led by Apple (+2,200%), salesforce.com (+1,600%) and Google (+1,200%). While Apple was not the first smartphone provider, Google the first search engine, nor salesforce the first SaaS software provider, each of these companies recognised that a major structural shift was about to occur and executed their plan brilliantly. On a smaller scale, but still in a hugely impressive fashion, we have seen how the early embrace of the SaaS business model and good execution has enabled Xero to progress from start-up to a NZ$3bn valuation.

**A confluence of technology development cycles**

It is difficult to identify one particular technology cycle that will carry the next start-up to the Fortune 500, but this has always been the case. However, the ingredients for value creation have never been stronger, with potentially transformative innovation happening across so many different domains of technology. To name a few, we would include accelerated materials development techniques, 3D printing, artificial intelligence, unstructured data analytics, machine-to-machine computing/connectivity, open source software, Saas, utility computing, social networking, crowd funding and many others.

The next generation of global winners will be those companies that identify the opportunities stemming from these trends early or that harness a number of these innovations in parallel and then execute very well. Countries that can develop strong clusters of technology expertise across multiple disciplines will be at a clear advantage. A savvy investment community and a supportive capital markets structure will clearly also be critical enabling factors.

### Technology becoming a more important success factor across more industries

The rise in prominence of the CIO demonstrates how the deployment of technology is becoming a key defining success factor across more and more industries. Banks are starting to resemble technology companies that are able to leverage capital. We are seeing a rapid rise of programmatic trading in the advertising industry, just like we did in financial services. The bricks and mortar retail industry has become much more receptive to deploying innovative technology to stave off the threat from online. The much hyped ‘internet of things’ will accelerate this trend into traditionally less information-driven industries such as manufacturing, utilities and logistics. Hugely damaging attacks on the likes of Sony and the NSA hacking controversy highlight the rising stakes and increased threats to keeping our systems and data safe. Major institutional investors are increasingly considering the establishment and communication of a robust cyber security structure to be a key corporate governance issue.

### The battle with complexity and hype

From a technology investor’s perspective, these developments are hugely exciting, but the pace and diversity of development is also often bewildering. Technology is becoming more involved, business models are changing and success hinges on competing in crowded international markets against overseas competitors, many of which will be private or embedded in much larger businesses. Investors also need to cut through the liberal overhyping of emergent technology trends.

This confusion is not limited to generalist investors. The same views were expressed by technology-focused investors we met during the recent Mobile World Congress – especially in ‘hot’ domains of the industry such as ad-tech or big data analytics and by technology investors in San Francisco while we were setting up a client roadshow in the Bay area.

### How can Edison’s unique platform help?

This is where we believe Edison can help. Good research starts by having experienced analysts with strong global domain expertise, a rapid ability to grasp new concepts and a rigorous research method. We analyse the company, then the shares. Only once the analyst has developed a clear understanding of the company’s products, differentiators, competitors, addressable market, strategy and business model is it possible to build a financial model that best reflects the prospects ahead. We then aim to give a comprehensive valuation framework – including both a fundamental and relative valuation to enable investors to make a well-informed investment decision.

We believe our international distribution network and unrestricted access model give us a unique platform for improving investor understanding of technology businesses across the global investment community, from domestic retail investors to overseas specialist institutions.

We hope you enjoy the conferences and look forward to furthering our relationship with you in the future.

# Edison's TMT research team

tmt@edisongroup.com

We believe we have developed a unique platform to enable companies within TMT to broaden and enhance investor understanding of their businesses.

Our growing TMT research client customer base consists of c 80 TMT companies, listed on exchanges in the UK, the US, Western Europe, the Nordics, Australia, New Zealand and Singapore, allowing our analysts to develop their expertise across global domains. This enables them to gain a deep understanding of the global dynamics within the industry and adds efficiency to the research process.

We allocate two analysts per company, matching skillsets and location to optimise coverage and service.

## Analysts Australia and New Zealand

Moira Daw
Analyst

Finola Burke
Analyst

## Analysts UK

Jane Anscombe
Gaming content

Bridie Barrett
Internet/media coverage, social media, ad-tech, Mobile Marketing

Anne Crow
Advanced Manufacturing and Materials Electronics

Tom Grady
Data/analytics Robotics

Richard Jeans
Enterprise software Financial services software

Fiona Orford-Williams
Media agencies B2B media Publishing

Dan Ridsdale
Global head TMT

Ian Robertson
Healthcare and enterprise software

Katherine Thompson
Enterprise software Electronic payments

Richard Windsor
Mobile technology and ecosystems

# Company profiles

EDISON

# GeoOp

Finance & other services

## Job management made easy

**GeoOp (GEO) provides a cloud-based solution for trades and services that replaces inefficient, paper-based systems with a simple way to accurately create, assign, cost, quote and invoice jobs while in the field. For the quarter to December 2014, GEO reported 22% quarter-on-quarter growth in users to c 16,400 users operating in 35 countries. GEO plans to develop markets for its easy-to-use, intuitive, affordable product in selected western countries where it estimates there are 60 million people operating in the trades and services sector. In October 2014 it reached NZ$1m pa annualised monthly subscription revenue.**

### The product and revenue model

GEO uses smart devices already in the hands of field workers and allows the office and field worker to collaborate and share real-time job information. This avoids double handing and error opportunities and allows customers to reduce administration costs and improve profitability. The GEO product replaces pen and paper or multiple IT packages. The product is relevant to a broad range of industry sectors and is geographically agnostic in all English-speaking countries. GEO uses a licence-based pricing model where businesses pay a single monthly licence fee based on the total number of licences required. In FY14 93% of revenue was recurring and in the year to December 2014 user numbers grew 925% from 1,600 to 16,400. Key to the product's success is its integration with accounting, GPS tracking and payment systems. Strategic relationships are planned with Salesforce (125,000 users), MYOB (86,000 users) and Quickbooks (700,000 users).

### Customer proposition

GEO is able to improve the customers' profitability using a tool that will speed up quoting, provide the ability to schedule, assign and manage jobs and allow workers to fill in online job sheets, which are kept up to date and are available anywhere.

### Valuation: Early-stage company

GeoOp has undergone rapid growth in users.  In December 2014, GeoOp had c16,400 licenced users, which is a 925% increase since January 2013 when the company had 1,600 users. There are no consensus forecasts and the early-stage nature of the business means we are unable to offer a view on valuation.

**Historical financials**

| Year end | Revenue (NZ$m) | PBT (NZ$m) | EPS (NZ$) | DPS (NZ$) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 03/13 | 0.1 | (0.3) | (2.94) | 0.0 | N/A | N/A |
| 03/14 | 0.5 | (5.1) | (0.24) | 0.0 | N/A | N/A |
| 0315e | N/A | N/A | N/A | N/A | N/A | N/A |
| 03/16e | N/A | N/A | N/A | N/A | N/A | N/A |

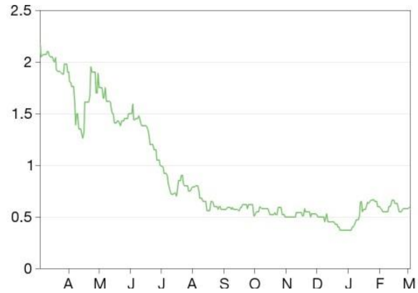
Source: Company data

| | |
|---|---|
| **Price*** | **NZ$0.58** |
| **Market cap** | **NZ$16m** |

*At 3 March 2015

| | |
|---|---|
| Net cash (A$m) at end Sept 2014 | 4.9 |

**Share price graph**




**Share details**

| | |
|---|---|
| Code | GEO |
| Listing | NZAX |
| Shares in issue | 27.0m |

**Business description**

GEO, which listed by way of a compliance listing on NZ Alternative Market on 31 October 2013, aims to become a global leader in mobile job management. It offers complete job management to businesses all over the world. Its product is low cost and easy to use and offers premium support.

**Bull**

- Easy to use software requiring minimal support
- Recurring revenue model.
- Attractive pricing

**Bear**

- Competition from other software products.
- Investment in R&D to drive product innovation is essential.
- Small company taking on the world.

**Analysts**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# ikeGPS Group

Technology

## Sizing up for growth

**ikeGPS Group (IKE) provides solutions for remote measuring and modelling assets using a combination of measurement software, cameras, lasers, computing, GPS and 3D-compasses. The Wellington-based company listed in July 2014, raising NZ$25m at an issue price of NZ$1.10 per share. IKE has forecast that it will more than triple revenues in the 2015 financial year to NZ$6.5m. First half revenues were in line with prospectus forecasts.**

### Business model

ikeGPS's mission is to revolutionise every measurer's day. Its solutions for field data collection and asset management have been used in a variety of industries including defence, telecommunications, utilities and engineering. In 2014, IKE negotiated a global trademark deal with General Electric, which resulted in the launch of GEMapInsight, one of its core products. In late 2014, IKE forged a master purchase and licencing agreement with Stanley Black & Decker, which will take its products into the construction and DIY markets globally. The company's forecasts for FY15 and FY16 are based on shipping 289 GE MapSight units and 2,533 Spike units in the first year and 626 GE MapSight units and 2,712 Spike units in the second. It anticipates it will generate gross margins of 60% and 65% respectively in FY15 and FY16. All IKE's revenue is generated in US dollars, so its financial performance will be affected by movements in the exchange rate between the US and NZ dollars.

### Product

IKE (which stands for I Know Everything) has two solutions in the market, GE MapSight and Spike, both of which enable a user to take a photograph and capture measurements of objects in real time or subsequently make measurements or models from the photographs. More than 250 electric utility companies and engineering organisations are now using IKE's solutions. The company has forged agreements with US Fortune 500 companies Stanley Black & Decker and General Electric, the latter of which holds a small shareholding in IKE.

### Valuation: Prospectus forecasts

There are no consensus estimates for ikeGPS but the company has provided prospectus forecasts for FY15 and FY16, shown below.

**Prospectus forecasts**

| Year end | Revenue (NZ$m) | PBT (NZ$m) | EPS (NZ$) | DPS (c) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 03/13 | 2.7 | (1.0) | (0.02) | 0.0 | N/A | N/A |
| 03/14 | 1.9 | (2.3) | (0.04) | 0.0 | N/A | N/A |
| 03/15e | 6.5 | (5.3) | (0.11) | 0.0 | N/A | N/A |
| 03/16e | 14.3 | (5.8) | (0.12) | 0.0 | N/A | N/A |

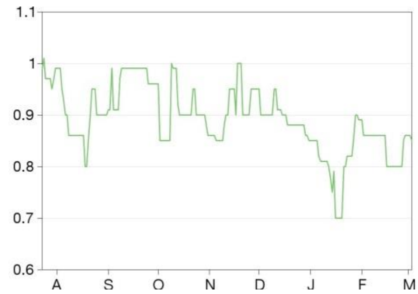
Source: Company prospectus

| | |
|---|---|
| **Price*** | **NZ$0.85** |
| **Market cap** | **NZ$43m** |

*At 3 March 2015

| | |
|---|---|
| Net cash (NZ$m) at end Sep 2014 | 21.0 |

**Share price graph**




**Share details**

| | |
|---|---|
| Code | IKE |
| Listing | NZX |
| Shares in issue | 50.1m |

**Business description**

ikeGPS Group has harnessed technological advances in cameras, lasers, GPS, 3-D compasses and smartphones to provides solutions for remote measuring and modelling assets. Its products are used in a variety of industries including defence, utilities, telecoms, construction and engineering.

**Bull**

- Ability to leverage solutions into new industries, as seen with Stanley Black & Decker agreement to rollout to the construction and DIY sectors.
- Strong growth trajectory with expanding margins.
- Focused product range with wide applications.

**Bear**

- Revenues in US$ subject to exchange rate risk.
- Competitive risk from large organisations offering similar products at lower prices.
- 40% of ike's revenues derived from resellers, some of which may terminate at short notice.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# Rex Bionics

Tech hardware & equipment

## Standing up and walking

**Rex Bionics is a pioneer in the field of medical exoskeletons. It is focused on rehabilitating and improvement in the mobility of patients with spinal cord injury. Its two key markets are rehabilitation centres and home use. Fourteen devices are currently in use, but clinical trials demonstrating the medical benefits to patients and commercial benefits to rehab centres has recently been initiated; with promising data from the first trial.**

### Revolution in mobility and rehabilitation

Rex's exoskeletons have the potential to revolutionise the way people with mobility problems are rehabilitated and treated. It allows people with complete loss of movement in their legs to stand and walk upright with their hands free to use as they wish. There is little doubt that devices such as Rex's can transform people's lives, but it is likely that the medical benefits will need to be demonstrated through clinical trials before widespread adoption. Rex's devices are approved for sale in the EU for rehab and personal use and in the US for rehab use only.

### Healthcare providers and insurance claims are key

The two main categories of customer for Rex Bionics are healthcare providers and individuals that request mobility devices such as Rex's, through personal injury claims and charities. In our view, relatively few people could afford the c $150k to purchase these types of mobility device from personal funding and the purchasing process for these categories of customers is therefore key to determining uptake.

### Valuation: Medical trials are the key catalyst

Rex Bionics is trading at a significant discount to its peers on EV/sales and a reverse DCF with 15% WACC and 3% terminal growth implies that annual sales need to grow to only 207 units by 2020 to justify the current share price. The market therefore seems to be factoring in a low probability of success. If clinical trials demonstrate that using Rex's devices represents a clear medical benefit and FDA clearance is obtained for the US personal market, it is likely that Rex's share price could re-rate closer to that of its peers. The personal use market is key to achieving significant shareholder return and therefore demonstrating sales through charities and from personal claim awards will also be a catalyst for share price upside.

**Edison estimates**

| Year end | Revenue (£m) | PBT (£m) | EPS (p) | DPS (p) | EV/Sales (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 11/12 | 0.0 | (0.4) | (1.38) | 0.0 | N/A | N/A |
| 11/13 | 0.0 | (0.5) | (1.46) | 0.0 | N/A | N/A |
| 03/15e | 0.2 | (4.3) | (30.3) | 0.0 | 25.0 | N/A |
| 03/16e | 1.0 | (5.7) | (40.2) | 0.0 | 5.0 | N/A |

Source: Company data, Edison Investment Research

| | |
|---|---|
| **Price*** | **£0.68** |
| **Market cap** | **£10m** |

*At 3 March 2015

| | |
|---|---|
| Net cash (£m) as at 31 January 2015 | 5.0 |

**Share price graph**


**Share details**

| | |
|---|---|
| Code | RXB |
| Listing | LON |
| Shares in issue | 14.3m |

**Business description**

Rex Bionics develops and produces exoskeletons to help in rehabilitating and improving mobility of patients with spinal cord injury (SCI) and other lower limb mobility problems.

**Bull**

- Unique hands-free stable device that can transform people's lives.
- Targeting two market segments – rehabilitation centres and personal use.
- Potential to reduce the number of physiotherapists required, allowing more patients to be treated at the same time.

**Bear**

- Competing products.
- Additional funding is likely to be required.
- Need to obtain FDA clearance for personal use in the US and undergo clinical trials.

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**REX BIONICS IS A RESEARCH CLIENT OF EDISON INVESTMENT RESEARCH LIMITED**

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# Serko

Finance & other services

## Transforming business travel

**Serko (SKO) is a leading cloud-based software business based in New Zealand. It has developed products designed to transform business travel by providing tools to initiate and change travel arrangements and to record and reconcile travel expenditure. SKO's Mass Booking patented technology is experiencing rapid adoption across Australia and increased interest from the US market. Re-seller arrangements with travel management companies (TMCs) are key to SKO's growth. The current re-seller base provides SKO with exposure to >90% of the Australasian corporate travel market.**

### Business opportunity

According to management, SKO's share of the US$23bn Australian corporate travel market is c 13% and SKO is well placed to capture a share of the Asian corporate travel spend where its addressable market is estimated at US$300m and expected annual growth rates are c 10%. 25-40% of all corporate travel bookings change after the initial booking, which means that flexibility and ease of use are two primary requirements for any corporate travel system. SKO's system allows travellers to manage travel themselves and integrate expense claims with the company's enterprise reporting system (ERP). The SKO system, which now includes Serko Mobile, allows real-time application of the company's travel and booking policies and is estimated to cut corporation travel budgets by c 20%. At IPO in June 2014 SKO raised NZ$22m (NZ$1.10 per share) to fund offshore expansion.

### The revenue model

SKO earns revenue by charging transaction fees on all corporate travel spend including flights, accommodation rental cars and ancillary services, such as taxis, booked across its platform. Most of SKO's 6,000 corporate users and government agencies use TMCs with whom SKO has contracts usually for a period of three years. The top five TMC contracts accounted for >70% of SKO's revenue in FY14. It is the TMC that pays SKO its booking fees.

### Valuation: Losses expected for next two years

The company forecasts revenue of NZ$11m for FY15; an increase of 64% on the previous year. Key growth drivers include an expected increase in the size of the global corporate travel market, a shift to cloud-based tools for key corporate functionality and increasing penetration of mobile applications. Losses are expected for the next two years as it enters new markets and captures international growth.

**Historical financials**

| Year end | Revenue (NZ$m) | PBT (NZ$m) | EPS (NZ$) | DPS (NZ$) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 03/13 | 4.8 | (0.3) | (0.01) | 0.0 | N/A | N/A |
| 03/14 | 6.7 | (1.7) | (0.03) | 0.0 | N/A | N/A |
| 03/15e | N/A | N/A | N/A | N/A | N/A | N/A |
| 03/16e | N/A | N/A | N/A | N/A | N/A | N/A |

Source: Company data

| | |
|---|---|
| **Price*** | **NZ$1.1** |
| **Market cap** | **NZ$68m** |

*At 3 March 2015

| | |
|---|---|
| Net cash (NZ$m) at end Sept 2014 | 8.3 |

**Share price graph**


**Share details**

| | |
|---|---|
| Code | SKO |
| Listing | NZX |
| Shares in issue | 61.4m |

**Business description**

SKO is Australasia's leading online travel and expense management company for business. Its head office is in Auckland. Other offices are in Sydney, Xi'an (China) and Gurgaon (India). SKO's booking tool is used by administrators and travellers to book flights, accommodation and car hire.

**Bull**

- Corporate travel is a significant controllable cost, estimated to be 8-12% of the average organisations total cost base.
- SKO's systems are estimated to reduce corporate travel costs by c 20%.
- Founders have 25 years' experience in travel software origination.

**Bear**

- Competitive market subject to change.
- Market growth may be slower than expected.
- Reliance on TMCs.


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# SLI Systems

Finance & other services

## High margin recurring revenue stream

**SLI Systems' (SLI's) search and navigation products power the website search functionality for some of the world's highest-profile companies. Its subscription model, high retention rates (90% by value in H115) and high gross margins (75% in H115) provide a recurring revenue stream that should generate significant returns for shareholders when it reaches profitable scale. SLI continues to grow strongly in its core regions of the US, the UK, Australia and Brazil. The company recently confirmed it does not need to raise additional capital to break even.**

### Creating long-term value through searches

SLI's search and navigation products are cloud-based products that increase sales conversions for e-commerce sites. Its competitive advantage is in providing search and navigation tools that learn from user behaviour and deliver a high quality service, which minimises the effort required by the customer. The subscription-based model provides a low upfront-cost solution for customers and provides a rapid return on investment. From SLI's perspective, this helps to attract and retain customers, but results in an average two-year payback period due to the cost of implementation. Short-term losses will therefore increase as customers are added, but as the client base grows, the business should generate a high degree of recurring revenue at high margins.

### High retention rate key to profitability

e-commerce site search is a competitive market, but through its products and high level of customer SLI has established a competitive advantage and maintained a high customer retention rate. Retaining customers is key to realising each customer's long-term value.

### Valuation: Long-term value potential

Although SLI is at a significant discount to peers on an EV/sales basis, we believe DCF analysis remains the best valuation method given the business's high expected growth rate. After updating for the results and estimates changes, our DCF produces a valuation of NZ$2.92, down from NZ$2.96 previously. This is based on a WACC of 12%, terminal growth of 2% and 30% ARR CAGR out to 2020, which it is on track to achieving. Growth rate and retention rate are the key sensitivities to this valuation and therefore it is encouraging that the retention rate is remaining stable and both ARR and revenue are growing strongly.

**Edison estimates**

| Year end | Revenue (NZ$m) | PBT (NZ$m) | EBITDA (NZ$m) | EPS* (c) | EV/sales (x) | P/E (x) |
|---|---|---|---|---|---|---|
| 0613 | 19.0 | (1.6) | (1.4) | (2.9) | 3.6 | N/A |
| 06/14 | 22.4 | (5.4) | (5.4) | (8.6) | 3.0 | N/A |
| 06/15e | 29.2 | (5.7) | (5.3) | (9.3) | 2.3 | N/A |
| 06/16e | 37.8 | (4.2) | (3.8) | (6.9) | 1.8 | N/A |

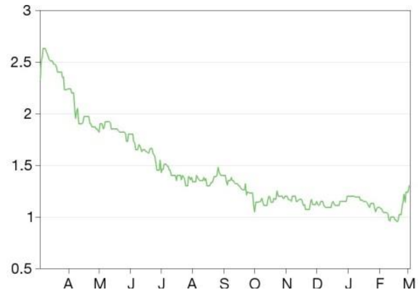
Source: Company data, Edison Investment Research.

| | |
|---|---|
| **Price*** | **NZ$1.3** |
| **Market cap** | **NZ$79m** |

*At 3 March 2015

| | |
|---|---|
| Net cash (NZ$m) at end Dec 2014 | 7.4 |

**Share price graph**




**Share details**

| | |
|---|---|
| Code | SLI |
| Listing | NZX |
| Shares in issue | 61.0m |

**Business description**

SLI's core products are e-commerce site search and navigation tools that learn from customer behaviours to improve the relevance of search results and therefore increase sales conversions. Customers pay a monthly subscription based on the number of queries per month.

**Bull**

- Low-cost solution for retailers.
- Volume-based pricing.
- e-commerce growth rates.

**Bear**

- High implementation costs.
- Competition could erode retention rate.
- Training required for sales and marketing staff.

**Analysts**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**SLI SYSTEMS IS A RESEARCH CLIENT OF EDISON INVESTMENT RESEARCH LIMITED**

# Smartpay Holdings

Information technology

## Innovative payment solutions

**Smartpay (SPY.NZX/SMP.ASX) designs, develops and implements EFTPOS and mobile payments technology solutions in New Zealand and Australia. It sources its equipment, which in the main is supplied by one large Chinese manufacturer. SPY has ~35,000 EFTPOS terminals under rental contract in New Zealand (market share of 33%) and ~5,000 terminals (market share of <1%) under rental contract in Australia. Delays in entering the Australian marketplace have weighted heavily on the share price over the last 12 months. Success in Australia should be reflected in an improved share price.**

### Business model

SPY's main business (~85% of revenue) is the capital-intensive EFTPOS terminal rental business. SPY typically enters into a fixed-term contract for three or four years where the customer pays a monthly rental fee for the physical EFTPOS terminal, service, support and the right to use SPY's proprietary software. The SPY product offering for smaller customers includes software that enables the terminal to communicate with the Paymark software used by the transaction switch in NZ or the various bank networks in Australia. Larger customers may use software developed by SPY that links with the customers point of sale systems. The balance of revenue (~15%) is generated by a specialised proprietary transaction switching system that caters for high transaction-volume customers, from equipment sales and from mobile phone top-up commissions (NZ only).

### Australian taxi industry opportunity

Changes to the regulatory environment in the Australian taxi industry, including a reduction in service fees from 10% to 5%, have enhanced the competitive framework and provided SPY with an opportunity to introduce its 'Taxipos' payments technology. Over time, this is expected to replace lost revenue from the termination in December 2014 of a single relationship with an Australian taxi payment provider (~8% of total revenue). It has secured contracts for 700 taxis (~3% market share) in Australia. The SPY smartphone booking app was launched in NZ in December 2014. It offers unique end to end booking and payment technology.

### Valuation: More EPS growth required

SPY has exhibited below-market earnings per share growth over the last two years. However, opportunities in Australia could see above market growth, which will help to justify the stock re-rate towards a market multiple.

**Consensus estimates**

| Year end | Revenue (NZ$m) | PBT (NZ$m) | EPS (NZ$) | DPS (NZ$) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 03/13 | 16.7 | (4.1) | (0.04) | 0.0 | N/A | N/A |
| 03/14 | 22.9 | 1.7 | 0.01 | 0.0 | 19.0 | N/A |
| 03/15e | 20.6 | N/A | 0.01 | 0.0 | 19.0 | N/A |
| 03/16e | 22.6 | N/A | 0.03 | 0.0 | 6.3 | N/A |

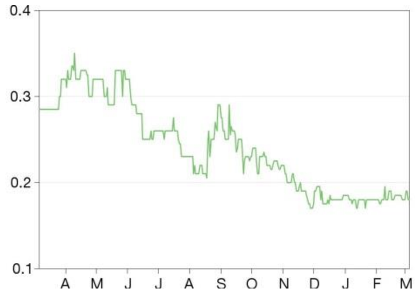
Source: Thomson Reuters consensus forecasts, company data

| | |
|---|---|
| Price* | NZ$0.19 |
| Market cap | NZ$33m |

* At 3 March 2015

| | |
|---|---|
| Net debt (NZ$m) at end September 2014 | 23.1 |

**Share price graph**




**Share details**

| | |
|---|---|
| Code | SPY/SMP |
| Listing | NZX/ASX |
| Shares in issue | 171.8m |

**Business description**

Smartpay Holdings (SPY) offers a variety of advanced payment and data management solutions for retail business payment and transactional processing requirements. It supplies EFTPOS terminals in New Zealand and Australia using a rental model.

**Bull**

- Entry to the Australian market, which is four to five times the size of the New Zealand market.
- Development of specialised apps such as TaxiPOS.
- Market fragmentation offers acquisition opportunities.

**Bear**

- Low barriers to entry in NZ.
- High gearing albeit that the NZ business is secure and highly cash generative.
- Execution risk in Australia.

**Analysts**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# Vista Group International

Technology & system software

## Delivering on prospectus

**Vista Group International is a global leader in film industry software solutions, with an estimated 37% share of the large cinema circuit market. Headquartered in Auckland, the company is dual-listed on the New Zealand and Australian stock exchanges, having listed in August 2014. Vista Group reported better-than-prospectus revenues and earnings for the year ending December 2014 and has guided that it is on track to meet its 2015 prospectus forecasts.**

### Capital raise and acquisitions

Vista Group raised NZ$40m in an initial public offering in August 2014. The IPO enabled Vista Group to consolidate its ownership of core properties, MACCS and Movio. In February the company announced it had signed a conditional agreement to acquire US cinema software company Ticketsoft, which would expand Vista's client base within the North American market. Since its IPO, the company has also signed and rolled out across 230 cinema sites in China.

### Business model

Vista Group provides cinema management, film distribution and customer analytics software to companies across the global film industry. Cinema management software provided by Vista Entertainment Solutions (VES) is the Group's core business. VES has more than 4,000 installed sites in over 60 countries and management estimates that over 1 billion cinema tickets are processed every year through Vista Cinema, one of VES's core products. The company also offers back-end solutions to cinema operators through Book My Show and MACCS, and data analytics products, Movio and Numero, which deliver core data points for cinema exhibitors and distributors. Vista Group has over 300 employees across six offices in New Zealand (Auckland headquarters), Australia, the US, the UK, the Netherlands and China.

### Consensus

There are no current consensus estimates for Vista Group. The earnings table below shows the company's 2014 results reported on 27 February and the previous corresponding period. The company exceeded its 2014 prospectus revenue forecasts by $2m and net profit of $4m was 17% above prospectus expectations. Vista reported that it was on track to meet its 2015 prospectus forecasts. The 2015 forecast is for $61.6m in revenue and $8.1m in NPAT.

**Historic financials**

| Year end | Revenue (NZ$m) | PBT (NZ$m) | EPS (c) | DPS (c) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 12/13 | 30.5 | 7.8 | 9.6 | 0.0 | 46.4 | N/A |
| 12/14 | 47.2 | 6.3 | 5.9 | 0.0 | 75.4 | N/A |
| 12/15e | N/A | N/A | N/A | N/A | N/A | N/A |
| 12/16e | N/A | N/A | N/A | N/A | N/A | N/A |

Source: Company data

| | |
|---|---|
| **Price*** | **NZ$4.45** |
| **Market cap** | **NZ$356m** |

*At 3 March 2015

| | |
|---|---|
| Net cash (NZ$m) at end Dec 2014 | 26.0 |

**Share price graph**


**Share details**

| | |
|---|---|
| Code | VGI/VGL |
| Listing | ASX/NZX |
| Shares in issue | 79.97m |

**Business description**

Vista Group International provides cinema management, film distribution and customer analytics software to companies across the global film industry.

**Bull**

- Strong management team with global and extensive experience in cinema management and software.
- Footprint established in key US and European markets.
- Established beachhead into Chinese market.

**Bear**

- Exchange rate risk; more than half its revenues are generated in US$/euro.
- Competitive market in US and Europe.
- Single industry focus; fortunes tied to cinema attendances.

**Analysts**

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# VMob Group

Software & comp services

## Driving traffic through bricks and mortar stores

**VMob (VML) is an early-stage New Zealand-based company commercialising a unique cloud-based mobile marketing solution for global retailers. It uses big data analytics to deliver targeted rewards to mobile handsets to drive more customers into bricks and mortar stores to increase sales and build loyalty. VML has a close partnership with Microsoft and its flagship customer is McDonald's (Japan, the Netherlands and Sweden). We forecast losses for two to three years but successful expansion with major retailers should create a platform for sales and earnings to build rapidly.**

### Endorsement from Microsoft and McDonald's

VML's product is aligned with Microsoft's 'mobile-first, cloud-first' strategy and is ranked in the top 10% of data users on Microsoft's Azure platform. VML is an important Microsoft client, as evidenced when Microsoft showcased VML at the December 2014 National Retailers Federation Trade Show in New York. VML is leveraged to the expected take-up of smartphones and the switch from traditional media to digital marketing using mobile devices. VMob's product has received endorsement from the number one global fast food provider, McDonald's, winning a competitive tender for McDonald's Japan with 3,200 stores and 40 million app users. The McDonald's relationship has been strengthened by the announcement in January 2015 of a commercial agreement that will give VML access to up to 119 worldwide markets and involve an immediate rollout in the large US market. The agreement terms are confidential and as yet VML has not provided an update to its Annualised Committed Monthly Revenue (ACMR).

### Valuation: Exposure to volume creates upside

The current share price factors in 38 customers at an average annual revenue (ARR) of NZ$0.3m by 2017. Valuation uplift will be triggered by contract wins and increases in ACMR, which stands at NZ$2.1m following the McDonald's Japan contract win. The recent global McDonald's contract win has not been included, pending further information from the company. Because the product is early-stage and there are few relevant or profitable comparable companies, we have used a DCF valuation to determine how many customers the market is paying for today. To dimension the opportunity we have included an upside case as well as our base case forecasts. Our base case assumes 43 customers by 2017 and results in a DCF valuation of NZ$0.038. The upside case assumes 51 customers and values the company at NZ$65.5m (NZ$0.052).

**Edison estimates**

| Year end | Revenue (NZ$m) | PBT (NZ$m) | EPS (NZ$) | DPS (NZ$) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 03/14 | 0.5 | (1.6) | (0.2) | 0.0 | N/A | N/A |
| 03/15e | 2.2 | (4.4) | (0.3) | 0.0 | N/A | N/A |
| 03/16e | 7.7 | (2.3) | (0.2) | 0.0 | N/A | N/A |
| 03/17e | 12.5 | 0.5 | 0.0 | 0.0 | N/A | N/A |

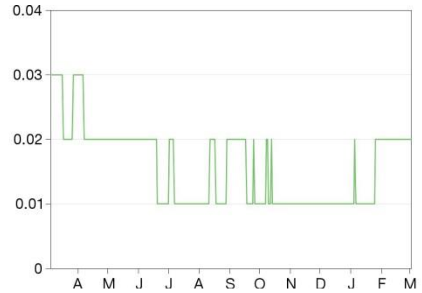
Source: Edison Investment Research

| | |
|---|---|
| **Price*** | **NZ$0.02** |
| **Market cap** | **NZ$29m** |

*At 3 March 2015

| | |
|---|---|
| Net cash (NZ$) at end September 2014 | 2.9 |

**Share price graph**




**Share details**

| | |
|---|---|
| Code | VML |
| Listing | NZ Alternative Market |
| Shares in issue | 1,468.4m |

**Business description**

VMob Group is one of a new breed of mobile marketing enablers. Its software as a service (SaaS) product is designed to help global retailers drive more foot traffic through bricks and mortar stores. The top 250 global retailers still transact >90% of their business through bricks and mortar stores.

**Bull**

- End-to-end solutions that use all available data, technology and marketing tools.
- Measures the marketing campaign's return on investment.
- Provides a targeted personalised marketing programme, which has superior efficacy to store-wide discounting programmes.

**Bear**

- Lengthy sales cycle.
- Dilutive equity raises likely.
- Product complexity and product confusion in the market.

**Analysts**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**VMOB IS A RESEARCH CLIENT OF EDISON INVESTMENT RESEARCH LIMITED**

# Unlisted companies factsheets

# Booktrack

## Factsheet

- Booktrack is based in Auckland, New Zealand, with offices in Auckland and San Francisco.
- Booktrack synchronizes movie-style soundtracks to eBooks and digital text (not an audio book).
- A Booktrack soundtrack consists of music, ambient audio and sound effects that are automatically paced to an individual's reading speed to match the story while they read.
- The Booktrack platform allows any publisher/author to add a soundtrack and publish their story.
- There is a growing problem globally of declining literacy rates and publisher profits due to film, TV and video games taking children and adults away from reading.
- Booktrack readers get a totally new immersive reading experience.
- University studies have demonstrated that Booktrack increases comprehension (by 17%) and engagement (by 30%).
- The eBook and tablet markets are two of the fastest-growing markets in the world, with a small number of very large companies competing to own relevant market share. Innovations such as Booktrack will be crucial to how these major players differentiate themselves in the future.
- In just 15 months, the Booktrack platform has had more than two million users, with more than 100% compound quarterly growth, >10,650 Booktrack titles created in 30 different languages and >12.5 years of total usage time (reading and writing/creating).
- In 12 months, Booktrack Classroom, a dedicated education platform, has been used by 6,100 teachers in 1,700 schools globally, with students creating 14,250 Booktrack titles.
- Booktrack is a key partner of Google and Apple and has worked with all the major publishing houses. Park Road Post Production (the audio house for *The Lord of the Rings*) is an audio partner.
- Booktrack has several patents in national phases in the US, Europe, Japan and India, and an issued patent in China. Booktrack has trademarks approved for both the name Booktrack and stylized 'B' logo across four trademark classes.
- Booktrack earns revenue through share of content sales and licensing the patented technology to produce sustainable revenue.
- Booktrack's shareholders include Valar Ventures (Peter Thiel), Weta Digital, Sparkbox Ventures and the government-backed New Zealand Venture Investment Fund.
- A total of $7.3m has been invested in Booktrack to date.
- In January 2014 Booktrack closed a Series A$3.1m funding round led by Sparkbox Ventures for growth of the new Booktrack platform and education offering.
- Pre-money valuation: $13.0m.
- Series A round two opened to meet investor demand: seeking $3m; $1m already committed.
- Funds raised will be used to fund marketing for user growth.

Source: Company
www.booktrack.com
CEO: paul.cameron@booktrack.com | NZ +64 21 321 256

EDISON

# Phitek Systems

## Factsheet

- Phitek Systems is the world's leading supplier of electronic innovations for in-flight entertainment (IFE), including noise cancellation, audio enhancement and other electronic touch points in the aircraft cabin.
- Based in Auckland, New Zealand, with representation in California and the UK, Phitek's proprietary active noise-cancellation technology is now specified by major airlines and sourced by all the major manufacturers of in-flight entertainment systems.
- The company began operations in 2003, has been profitable since 2012 and employs just over 30 people. Revenue in FY14 was NZ$12.9m and EBIT NZ$1.1m. The company is forecasting NZ$17.1m revenue and NZ$1.3m EBIT for FY15.
- Phitek has an extensive IP portfolio including adaptive switching of aviation audio connectors, interoperability of passenger-facing in-flight entertainment connectors and magnetic audio jacks, an electronic alternative to traditional pin-based jacks supplied in a variety of styles and shapes to enable installation in new fleets and retro-fit in existing fleets.
- Key customers include IFE suppliers, Panasonic, Thales, Rockwell Collins and Zodiac Aerospace, and airlines including Emirates, Air France, Singapore Air, Finnair and Air Canada. The association of Phitek's products with global giants such as Panasonic has driven significant market acceptance in the highly certified aviation industry. Panasonic and Rockwell Collins are specifying Phitek's magnetic jack product as a standard element in their next-generation IFE systems.
- Spending on IFE is forecast to grow from US$2.4bn in 2013 to US$5.3bn in 2020. The hardware segment of the IFE market is forecast to more than double to US$2.5bn in this time. While traditional embedded IFE systems will remain the preferred option for long-haul flights, the proliferation of passenger-carried devices will present new opportunities for connector-based products in the aircraft cabin including the need for power and internet connectivity. Phitek's forward strategy targets growth in both its traditional market sectors, the growing demand for economy-class in-flight comfort and an increase in its overall share of the market through the development of power and internet connectivity-related products.

Source: Company
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# PowerbyProxi

## Factsheet

- Based in Auckland, New Zealand.
- Has offices in the US – head office in Austin and offices in San Francisco and Atlanta.
- >70 employees.
- Global leader in the development of proprietary- and standards-based wireless power technologies, which are used to deliver electrical power without cables or plugs.
- Core expertise is designing the control systems that manage and transfer electricity, transmitter and receiver coils, integration of all the sub-systems and packaging for commercial deployment.
- Products are designed for industrial, consumer electronics (CE) and infrastructure markets.
- Patent portfolio comprises 293 patent and patent applications developed in-house and via exclusive licensing arrangements with the University of Auckland. This patent portfolio positions the company to be an industry leader.
- R&D cycle for industrial applications of wireless power is three to five years.
- Has raised US$20m in venture capital to date.
- Strategic investors include Samsung Ventures and TE Connectivity.
- Seeking a further US$25m in growth capital for R&D and IP and patent portfolio enhancement, working capital and sales and marketing.
- FY14 revenue (31 March year end) NZ$2.6m (up from NZ$1.1m in pcp).
- FY16 and FY17 revenue expected to ramp-up significantly.
- Growth will be driven by continued development of the CE market and the emergence of the infrastructure segment.
- Development plans include the establishment of R&D centres in Austin and China.
- Addressable market for wireless power (an emerging new technology) is expected to be US$15.6bn by 2023 – CE US$7.9bn, industrial US$4.7bn and infrastructure US$3.0bn.
- Business model is to license platforms to IC manufacturers, OEMs and ODMs and industrial component manufacturers, and deliver core platform products in selected markets.
- Key competitive advantages include the IP portfolio, product innovation, R&D leadership, dominant industry standard and demonstrated commercial success.
- Joint development agreements and licensing agreements with John Deer, TE Connectivity, Samsung, Linear Technology and Texas Instruments.
- Next version of Wireless Power Consortium (WPC) standard includes the company's IP.
- Positioned to capture opportunities in standards-based markets as well as proprietary markets like industrial components, AA batteries and wearable devices.

Source: Company
www.powerbyproxi.com
CEO: greg.cross@powerbyproxi.com | +64 9 914 8311

# Results.com

## Factsheet

- Results.com offers a world-leading, cloud-based management dashboard designed to empower small- to medium-sized enterprises (SMEs) to maximize employee performance.
- Established in April 2013, Results.com has offices in San Francisco and Auckland. The company generated revenue of more than NZ$1m in its first year of operation and has gone on to develop a customer base of more than 5,000 users across North America, Europe and New Zealand.
- Annual recurring revenue is now running at NZ$1.3m with the annual contract value per customer averaging $5,323. The average rolling monthly churn rate (customers not renewing) is just 1.5%.
- Results.com is the brainchild of Ben Ridler, who set up the company after selling his 60% stake in The Results Group, a traditional executive coaching company, which, under Ben's leadership, reached annual revenues of $10m and 80 employees across North America and New Zealand. Results.com employs around 20 people evenly split between San Francisco and Auckland.
- Results.com is a cloud software business creating a backbone for companies to draw upon their existing systems and more effectively measure the performance of their employees. It allows firms to share those measures across the organisation so that everyone can see how they are performing.
- Results.com's API dashboard integrates with key business software tools including Microsoft Excel, salesforce.com, Xero, SQL database and QuickBooks, providing a company and its employees with real-time performance data. Customers have reported that results.com has delivered significant and measurable improvements to their businesses, including a 139% increase in productivity, an 80% reduction in overtime, a 200% improvement in client engagement, a 15% boost to sales and a 10% boost to market share.
- The company plans to list on New Zealand's new NXT market to help fund its next growth phase into large enterprises.

Source: Company
www.results.com
CEO: ben@results.com | +64 21 361 611

# WhereScape

## Factsheet

- Started operating in Auckland in 1997.
- Privately-held international data warehousing and big data software company.
- Operates from four regional centres – Auckland (NZ), Portland (US), Reading (UK) and Singapore.
- Improves the way that organisations use data in management decision-making.
- Automates the creation and operation of data warehouses and big data systems.
- Develops, markets and sells two software products: WhereScape RED and WhereScape 3D.
- WhereScape software products are used to build data warehouses on Teradata, Microsoft, Oracle, IBM, Netezza and Greenplum databases.
- WhereScape Software enables customers to build data warehouses faster (in 25% of the time) with fewer people than traditional approaches and software.
- This has led to a blue-chip customer base of >720 spread across 15 countries.
- Customers include: General Electric; HSBC; Tesco; Sainsbury's; Volvo; VW; Sky City; Xero; Abano Healthcare; Lotto NZ; Fonterra; ASB Bank; Vodafone; Spark; Telstra; and Blue Cross and Blue Shield of Minnesota.
- Business model is to sell perpetual licences to use WhereScape's software products.
- Ongoing revenue is generated from maintenance contracts and professional services projects.
- Big data market for software and sales is estimated by IDC to increase from US$6.8bn in 2013 to US$15.5bn by 2017.
- Generated revenue of NZ$20m in FY14.
- Targeting revenue of at least NZ$25m in FY15.

Source: Company
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