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dorsaVi (DVL)

Lower back pain wearable goes global

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Key Points

- DVL, established in 2008, develops motion analysis devices for use in clinical applications, occupational health and safety(OH&S), and sporting activities.
- The wearable sensors are attached to patients/workers to track movements, which data can be extracted to treat lower back pain, identify injury risks, and assess performance.
- The first 200 units were sold over the last three years to early adopters across: Australia, UK and the US.
- DVL is now filling out global channels with lease/service contracts supported by regional distributors. We expect DVL to lease 1,000 units in FY17, and positive cash flow in 2H17.

3 steps – Brand development, FDA approval, Physio and OH&S

DVL's sustainable cash flow growth strategy includes:

Multiple supply channels. The major markets for DVL are workplace occupational health & safety (OH&S), physiotherapy, and elite sport clubs. DVL tailors its technology to make clinical data accessible.

DVL had early success in home Australia (120 units), and in 2015 there were significant sales in EU and USA (~80 units combined).

Advantage over gold standard. DVL's motion and muscle sensors provide high quality, clinical grade data to the mass market, and allows quick feedback to patient (carer and payor) for training, diagnosis and treatment. In addition, DVL has regulatory clearance for sale in its target markets.

Next Phases of growth. DVL now provides more comprehensive services for large corporations in the OH&S space. This includes: identifying work risks, provide potential solutions, maintain compliance/controls.

Also, DVL realised that the high upfront cost (\$10,000+) of each unit plus services were restricting sales into medical and physio centres. The move to a recurring lease and service model (\$5,000 per annum) has not only made the devices more attractive for key users, but also enables a more sustainable cash flow in the longer term.

View: We initiate with a Speculative Buy recommendation with price target of \$0.65/share which is on an 81% premium to current share price. DVL's price target is at a 41% discount to DCF of \$1.10/share due to low share trading liquidity and 18 months until positive cash flow.

Milestones:

FY16 – Quarterly roll-outs in US and UK with lease/service model.

FY16/17 – Reimbursement updates from US and UK.

FY16/18 – Expand FDA clinical claims to normative data.

Risks:

- Inability to supply/service 3x increase each year for 2 years.
- Insufficient funds from existing or specific reimbursement codes.
- Wearable competition moves aggressively into lower back pain.
- Undercapitalised for major global push. FY16 cash only \$7.7m.

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Recommendation

Previous Recommendation
Risk Rating
Current Share Price
12 Month Price Target
Price Target Methodology
Total Return (Cap + Yield)
DCF Valuation
Market Capitalisation
Liquidity – Daily Value

Spec Buy

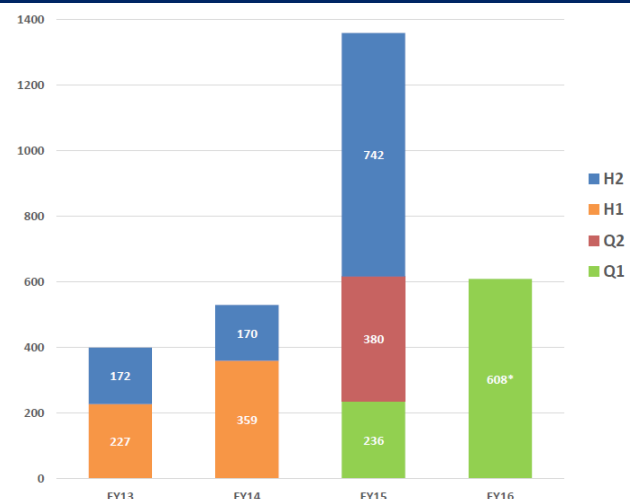
Initiation Report
Very High
\$0.36
\$0.65/share
DCF, FY18F EV/EBITDA 10x
81%
\$1.10
\$54m
\$0.1m

Financial Forecasts & Valuation Metrics

Y/e 2015Jun (\$m)	FY16F	FY17F	FY18F	FY19F
Revenue	3.4	11.7	24.7	36.7
EBITDA	(7.0)	1.9	9.8	19.3
NPAT	(6.1)	1.6	8.3	16.0
EPS (cps)	(4.1)	1.1	5.6	10.7
EPS Growth	na	na	412%	92%
DPS (c)	0.0	0.0	0.0	0.0
EV / EBITDA (x)	(6.6)	23.4	3.5	1.0
PER (x)	(8.8)	33.1	6.5	3.4
Dividend Yield	0.0%	0.0%	0.0%	0.0%
Cash Balance	7.7	9.9	19.1	35.0

Source: PAC Partners estimates

Actual revenue lifting off (\$ 000's)



Source: DVL

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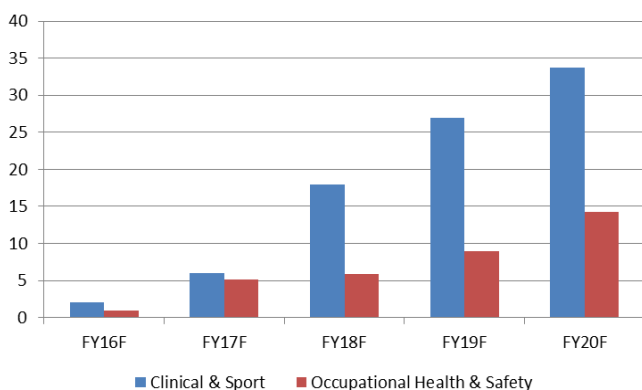
Summary Swot

Strengths	Weaknesses
<ul style="list-style-type: none"> FDA approved for use in field of work or play Fully vertical integrated from R&D to sales and servicing Capability of manufacturing large volumes to international standards 	<ul style="list-style-type: none"> Revenue relies heavily on new in-house sales in UK clinics High marketing spend and working capital commitments Low share trading volume (opens up discount to larger peers)
Opportunities	Threats
<ul style="list-style-type: none"> Wearables are already omnipresent, but lack back pain monitoring Workers and patients with chronic lower back pain want better solutions OH&S regulation is pursuing a prevention policy key area of back pain 	<ul style="list-style-type: none"> Competition from existing clinics and large wearable companies Delays in regulatory approvals for new indications Volatility in Australian exchange rate

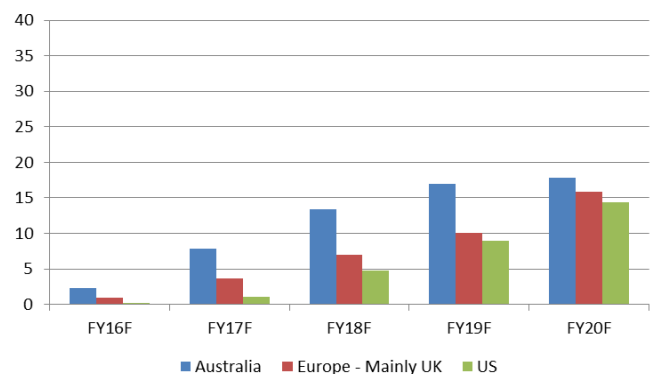
Board and Executives

Directors	Comment
<ul style="list-style-type: none"> Herb Elliott – Non-executive Chairman Andrew Ronchi – Managing Director/CEO Ashraf Attia – Non-executive Director Michael Panaccio – Non-executive Director (Starfish) Greg Tweedly - Non-executive Director Daniel Ronchi – Chief Technical Officer 	<ul style="list-style-type: none"> <1% shareholder. Joined board Oct’13. Olympian. 5.6% shareholder. Co-founder in Feb’08. <1% shareholder. Joined board Jul’08. Medical device executive. 44.5% shareholder. Joined May’08. Founder of Starfish Ventures. <1% shareholder. Joined board Oct’13. Occupational & health executive. 5.5% shareholder. Co-founder in Feb’08.

Revenue transition from FY’16F to FY’20F – Channel and geographic spread



Source: PAC Partners estimates



Source: PAC Partners estimates

Company Overview and Risks

Vision: Global wearable leader for identification and improvement of lower back pain

Progress:

16 years of development and experience in wearables for back pain

In 2000 the Ronchi brothers started to develop a lower back pain wearable to minimise subjectivity. Andrew was a practicing physiotherapist who has a PhD and Dan has an IT background.

Attracted cornerstone investor half way through

During 2008 the Ronchi brothers attracted a cornerstone investment from Starfish Technology Fund and Pro_Active Medical was incorporated.

Sold wearables to early adopters from 2012, including elite sports clubs

Five years of technical investment and \$10m invested culminated commercial production for two years (2012 & 2013) and initial sales into Elite Sports, Occupational Health & Safety and Physiotherapists.

IPO'd in 2013 and raised \$18m

In 2013 renamed "dorsaVi" and listed on ASX and raised \$18m at \$0.40/share for geographic expansion

Fulfilled prospectus promise with sales into UK and USA...

140 wearables sold over 2013 to 2015 to early adopters in Australia, UK and USA

...and expanded FDA approval

Aug'15 DVL gains FDA 510 (k) expanded approval for independent lumbar spine & pelvic movement

Raised \$7.2m to accelerate growth with new applications

DVL raised \$7.2m equity at \$0.26/share to accelerate growth in UK and US following FDA approval

Risks:

- **Inability to supply/service 3x increase in wearables each year for the next two years.** DVL has had significant success with marketing to early adopters who are very accommodating. The larger DVL distribution network has to follow up efficiently with delivery and servicing with a similar personal touch.
- **Insufficient or cumbersome reimbursement codes.** Physiotherapists have a set procedure for back pain monitoring and billing system. DVL's wearable requires billing across a number of existing lumbar and pelvic codes for 15min intervals of treatment for sufficient funds to make it worthwhile for patient. (DVL is working on a specific code for its longer "training" type treatment that gives the patient the optimal benefit. This will take one to two years to finalise).
- **Wearable competition moves aggressively into lower back pain.** Research & development budgets of FitBit (FIT.N MCap US\$7bn) and Jawbone (Private) are several \$100m/a and they are likely to develop many large health related wearables (like Apple has attempted in eyewear).
- **Undercapitalised for major global push.** FY16 cash only \$7.7m. DVL cost base during this rapid expansion phase is equivalent to cash reserves in mid-2016.

View

Spec Buy with PT \$0.65/share

We initiate with a Speculative Buy recommendation with price target of \$0.65/share due to 81% premium to share price.

We strongly believe that wearables for lower back pain will have support from at least 10% of physiotherapist and occupational health and safety professions by 2020. All major injury treatments that are adaptable to wearables will be pulled out of the clinic and into the field by: thirst of applications for wearables; desire by people to take charge of health, and, catch-all push from health funds/companies/government for low injury prevention (vs. high cost treatment.) DVL has the technical and distribution platform which should deliver a leading market share of 30%. This translates to 15,000 wearables in use (vs 140 currently) and EBITDA of \$19m (vs FY'15A -\$9m).

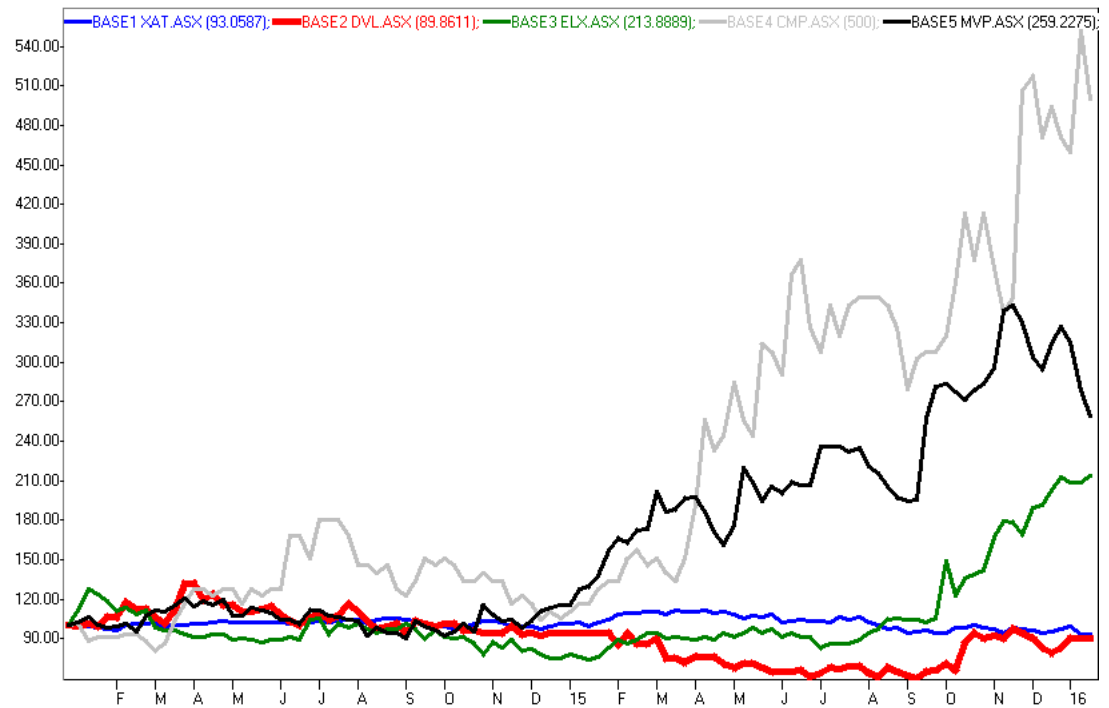
Chart: DVL share price vs. Peers and ASX200

DVL has performed in line with ASX200 over last 12 months
 Peers have outperformed ASX due to lift in cash flow generation and access to new markets

CMP – Specialising in sleep and brain blood flow monitoring devices. Lower cost model generating more cash and eHealth in progress.

MVP – Pentrox supplier, formed alliance with Mundipharma to launch commercialisation in EU.

ELX – Laser eye device supplier growing faster in USA and adding differentiated treatments



Source: Iress

DVL's: Sensors, Software and channels to market (Source: DVL)

The image illustrates the application of DVL's sensors. On the left, a diagram shows the spine with labels for 'Trunk', 'Lordosis', and 'Pelvis'. In the center, a smartphone displays the ViSafe app interface, which shows 'Patient's Lumbar Lordosis' with a reading of -32°, and sub-readings for Trunk (-8°) and Pelvis (24°). Below this, it says 'Assessment: Lordosis Alerts' and 'No lordosis alerts'. To the right, a small black sensor device is shown with a 35mm dimension line. A file name 'dorsa_vi_ppt_16x9-10.jpg' is overlaid on the smartphone image.

ViSafe™
 ViSafe™ is a wireless sensor technology that tracks and measures how people move in real-time work situations, so companies can assess high risk movements with objective data, not just opinion, and then design fact-based solutions to create a safer work environment.

ViMove™
 ViMove™ is a wireless sensor technology that objectively measures human movement and turns it into actionable data. Wearable motion and muscle activity sensors record data at 200 frames per second and provide new insights for clinicians and their patients.

ViPerform™
 ViPerform™ provides objective data to accurately assess and prevent risk of injury, guide training programs, and help determine when players are safe to return to play.

Glossary:

ViSafe – dorsaVi sensors sold into Work Place via Occupational Health & Safety professionals

ViMove – dorsaVi sensors sold into Clinical market via physiotherapists

ViPerform – dorsaVi sensors sold into Elite Sport market via physiotherapists and high performance coaches

Wearable – a device that can be attached to person and used in field of operation. (In this report we use wearable = dorsaVi sensors)

dorsaVi – Modelling Assumptions

Products

ViMove – Clinical Solution

ViMove, a clinical solution to assist physiotherapists to improve clinic outcomes, the product is cleared for sale in Australia, Europe and the US, and received expanded FDA clearance in June 2015 for the use of ViMove to display lower back and pelvic range of motion from healthy patients (normative data). This represents the largest long-term opportunity for DVL.

ViSafe – OH&S solution

ViSafe, a workplace solution to enable employers to assess risk of injury to its workforce based on objective evidence, and thus reduce cost of injury and improve productivity. DVL has signed up with well-known large corporations across various industries in their target markets, such as Crown Casino (AUS), BP Australia, Transport for London (UK), Caterpillar (US) etc. ViSafe is the major revenue contributor by far.

ViPerform – Sports solution

ViPerform, a sporting solution to assist sports clubs inform injury recovery programs and improve training regimes. Some sporting teams using the product include: Manchester United (EPL), Glden State Warriors (NBA), Collingwood Footbal Club (AFL), Patriots (NFL). This category aims to raise product awareness and public relations.

Regions

Australia, Europe and the US are the 3 key markets...

DVL currently targets 3 key markets for product penetration, i.e. Australia, Europe (mainly UK), and the US.

In FY'15, DVL sold a total of 120 devices in Australia, and it has been the largest revenue contributor, which represents ~88% of total sales revenue in dollar value.

Geographical expansion of the core business

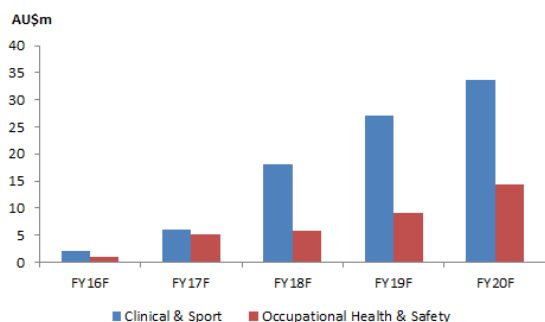
In light of DVL's recent success in Europe and the US, we believe the revenue breakdown is going to change significantly in the foreseeable future, for reasons that include:

ViMove expanded FDA clearance

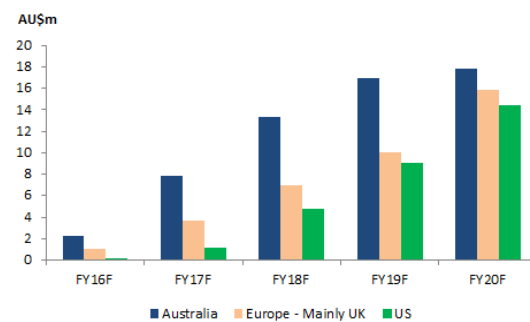
- Granted 510K Clearance from the Food and Drug Administration (FDA) for the expanded use of ViMove in the US, which enables DVL to increase its marketing efforts to physical therapists and healthcare professionals in the US.

3-year sales agreement with YourPhysioPlan for UK and Ireland distribution

- A 3 year sales agreement for ViMove with YourPhysioPlan, in the UK and Ireland. The deal includes minimum sales targets of 100, 300 and 600 units to maintain exclusivity, which may potentially generate a total of \$9m in revenue. Meanwhile, DVL remains full direct sales rights for its other products.



Source: PAC Partners estimates



Source: PAC Partners estimates

Sales will be more evenly spread across target markets

We believe the above drivers are able to lift Europe and US sales significantly. By FY'20, the sales breakdown should be more evenly spread: Australia 37%, Europe 33%, and the USA 30% respectively.

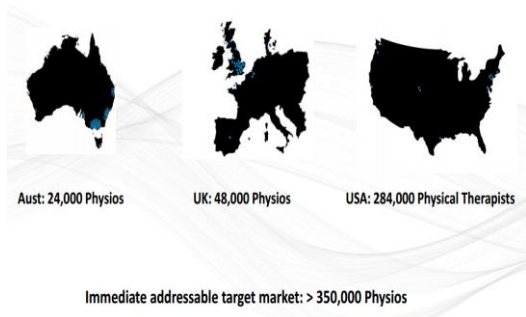
Accessible Market to DVL

There are a total of ~350,000 Physios in the combined market of Australia, UK and the US in five-years' time . DVL is aiming for 10% uptake. We assume 15,000 units by FY'19. This is 4% of the 350,000 physios, or 2% of 700,000 Occupational Health & Safety professionals; or ~3% of total user base.

Euro Spine Market for low back pain is projected to grow at CAGR 7.3% to \$299m by 2019. With the agreement with YourPhysioPlan, and capacity to market other products, we believe DVL is well positioned to embrace tremendous growth.

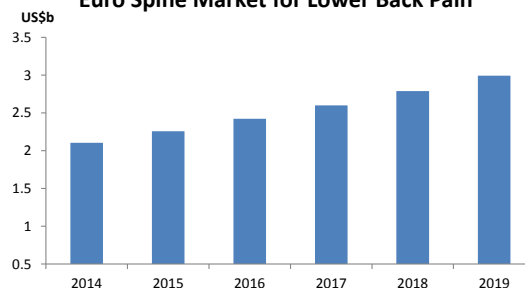
DVL is aiming for 10% penetration in the clinical space by 2020..

...lease model to generate more revenue in the long term



Source: DVL Investor Presentation July 2015

Euro Spine Market for Lower Back Pain



Source: Intergitylifesciences.com

dorsaVi – Setting Equipment Gold Standard

Challenging the gold standard performance

DVL is challenging the gold standard in 3 target spaces

- **Clinical**
- **OH&S**
- **Sporting**

DVL is challenging the traditional gold standard for lower back pain in all of the three fields they compete in, i.e. Clinical, OH&S, and Sporting.

Clinical

Physiotherapists generally use cheap devices e.g. *inclinometer/goniometer* to identify the need for physical therapies, as well as monitoring the effectiveness of treatment/intervention. These devices use gravity as reference points and typically cost \$10-\$30 per unit. However, the treatment process would require multiple physical contacts between the patients and the physiotherapists, and thus more time-costing. The tests are also often taken out of context of work or sporting activity.

Another option is the *Vicon optical tracking system*, which is able to provide more precise and visualised data. However, the system is highly complex and expensive to set up (costs \$4,000-\$5,000). In addition, it is hard to access, patients typically need to go to clinical laboratories and universities for the treatment.

Occupational Health & Safety (OH&S)

The existing gold standard: Ergonomist generally take videos/photos at workplace, and provide subjective advises to organisations/corporations how they should improve.

The latest device provides more object data and is known as *Lumbar Motion Monitor (LMM)*, which was introduced almost 20 years ago. This monitor requires the worker/employee to wear a jacket-like device to collect relevant data, and then the data is sent to the computer through telemetry to access the risks of lower back disorder.

Sporting

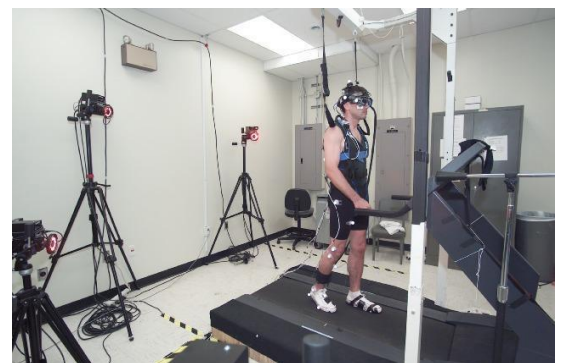
This space is relatively untapped in comparison to the above two, doctors generally view the performance of athletes and thus access the risks of injuries. The data can only be recorded at 25 frames per second, whereas ViPerform records data at 200 frames per second.

Lumbar Motion Monitor (LMM)



Source:www.nexgenergo.com

Vicon Tracking System



Source:www.nasa.gov

dorsaVi VS Traditional Gold Standard

By comparison, we believe DVL's devices are challenging the existing gold standard in many aspects, and they fit into the mid to top tier of the market very well.

	<u>dorsaVi</u> <i>ViMove, ViSafe, ViPerform</i>	<u>Inclinometer/Goniometer</u>	<u>Vicon Optical Tracking System</u>	<u>Lumbar Motion Monitor (LMM)</u>	<u>Ergonomists – videos/cameras</u>
Cost effective	✓	✓			✓
Flexibility	✓	✓			✓
Accessibility	✓	✓		✓	✓
Wireless monitoring	✓		✓	✓	
Objective data	✓	✓	✓	✓	
Data accuracy	✓		✓	✓	

Source - PAC Partners review of feedback on web to date.

dorsaVi – Peer Review

Listed and unlisted peers are evolving

We have found the following peers, competing with DVL in its targeted markets:

DVL's products maintain strong competitiveness in the market in which they compete.

- **Valeo** – a Swiss-based medical technology company trying to fix back pain with motion sensors and therapeutic exercises. The business model is to sell two sensors and software in a package for €299 (~AUD\$460). It only competes with DVL in the clinical space.
- **Lumber Motion Monitor (LMM)** – existing gold standard in the OH&S space. The data is reliable, but it is more expensive and complex. (Refer to page 6 for more details)
- **Xsens** – using similar hardware as DVL, but different software. The data captured is rather complex, and requires interpretation by engineers.
- **BPMpro** – similar hardware to DVL. Algorithms are very different to DVL. The device has proven ability for post trauma assessment. However, a standard kit sells for £750 (~AUD\$1500), which is at a great premium compared to DVL

Based on the technology, cost, and 10 years focused algorithm development for clinical back pain, we believe DVL's products maintain a strong competitiveness in the market in which it competes.

Medtech peers – June 2015 Revenue and EBITDA (AUD\$m)

Code	Company Name	Last Price	Market Cap (AUD\$m)	Net Debt (AUD\$m)	EV (AUD\$m)	Revenue FY15	EBITDA FY15	EBIT FY15	NPAT FY15	EV/EBITDA (x)	P/E (x)
ASX:ACG	AtCor Medical Holdings Limited.	\$0.20	38.9	-3.4	35.4	5.5	-2.8	-2.9	-1.4	-	-
ASX:CMP	Compumedics Ltd.	\$0.39	64.3	-0.2	64.0	33.5	3.0	2.7	2.0	21.3	32.6
ASX:CYC	Cyclopharm Limited	\$0.53	31.6	0.0	31.6	0.0	0.0	0.0	0.0	-	-
ASX:ELX	Ellex Medical Lasers Limited	\$0.73	78.6	2.2	80.7	62.7	3.9	2.7	1.7	20.4	46.8
ASX:IPD	ImpediMed Limited	\$1.14	333.4	-32.6	300.8	4.8	-15.0	-15.1	-14.8	-	-
ASX:LBT	LBT Innovations Limited	\$0.13	14.9	-0.8	14.1	2.4	-0.2	-0.2	0.3	-	46.6
ASX:MX1	Micro-X Limited	\$0.50	59.7	12.8	72.5	0.1	0.0	-7.6	-10.2	-	-
ASX:OIL	Optiscan Imaging Ltd.	\$0.03	5.6	0.2	5.8	0.0	-2.4	-2.4	-1.4	-	-
ASX:RHT	Resonance Health Ltd.	\$0.02	9.6	-2.8	6.8	2.4	0.2	0.2	0.5	33.1	20.8
ASX:RSH	Respiri Limited	\$0.04	11.3	-3.1	8.2	0.1	-5.3	-5.5	-5.5	-	-
ASX:UCM	Uscom Limited	\$0.17	16.5	-0.5	15.9	2.0	-1.0	-1.2	-1.2	-	-
ASX:DVL	dorsaVi Limited	\$0.36	54.0	-5.7	48.3	1.4	-8.5	-8.5	-8.0	-	-
Average										24.9	36.7

Source: S&P Capital IQ and PAC Partners estimates

We make a few observations from the comparison above:

Profitable Medtech companies are trading at great premium to the market

- Most of the ASX-listed Medtech peers are in the process of developing their core technology, and thus burning cash. At the end of FY'15, DVL has a cash balance of \$5.7m and is debt free, and as such appears to be more financially healthy than many peers.
- Only four companies made a positive NPAT in FY'15, i.e. CMP (\$2m), ELX (\$1.7m), LBT (\$0.3m), RHT (\$0.5m). These companies are trading at an average P/E of 36.7x. This is a significant premium to the market average P/E of 14.5x.
- We expect DVL to start making profits in 2H'17.

DVL medtech peers – Recently acquired

Announced Date	Target/Issuer	Buyers/Investors	Total Transaction Value (AUD\$m)	Implied Enterprise Value/EBITDA (x)	Implied Enterprise Value/Revenues (x)
Sep-15	Sirona Dental Systems Inc. (NasdaqGS:SIRO)	DENTSPLY International Inc.	7,781	16.6	4.5
Jun-15	Mindray Medical International Limited (NYSE:MR)	Excelsior Union Limited	3,825	11.9	2.2
Apr-15	Olympus Corporation (TSE:7733)	JPMorgan Securities Japan Co. Ltd	787	11.3	2.1
Feb-15	Siemens Health Services	Cerner Corp. (Nasdaq:CERN)	1,300	N/A	N/A
Average			3,423	13.2	2.9

We believe the hunger for healthier living and productivity improvements make M&A in emerging health technology companies is attractive. M&A can help medical technology companies like DVL overcome growth challenges and capitalize on opportunities within a relatively short timeframe.

dorsaVi Ltd

NFPOS

150 m

Price \$ 0.36

Market Cap \$54 m

PROFIT & LOSS (\$m)

Y/e Jun	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
Revenue	0.8	1.9	3.4	11.7	24.7	36.7	48.8	61.0	76.7	97.2
EBITDA	(4.1)	(8.6)	(7.0)	2.0	10.1	19.7	28.9	37.5	48.7	63.7
Depreciation & Amortisation	0.0	(0.1)	(0.1)	(0.1)	(0.3)	(0.4)	(0.5)	(0.7)	(0.8)	(0.9)
EBIT	(4.0)	(8.7)	(7.0)	1.9	9.8	19.3	28.4	36.8	47.9	62.7
Net Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Income tax	0.6	0.6	0.9	(0.2)	(1.5)	(3.3)	(5.4)	(7.7)	(11.0)	(15.7)
NPAT underlying	(3.6)	(8.0)	(6.1)	1.6	8.3	16.0	23.0	29.0	36.9	47.0

BALANCE SHEET (\$m)

Y/e Jun	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
Cash	13.9	5.7	7.7	9.9	19.1	35.0	56.1	83.6	118.6	162.9
PP&E	0.2	0.3	0.4	0.6	1.2	1.8	2.4	2.8	3.1	3.4
Debtors & Inventory	0.9	1.2	2.9	7.7	15.1	21.8	26.9	32.0	38.5	46.9
Intangibles	0.3	0.5	0.8	1.4	2.4	3.8	5.3	6.8	8.9	11.6
Goodwill	1.6	1.7	1.9	2.1	2.3	2.3	2.3	2.3	2.3	2.3
Total Assets	15.3	8.0	12.0	19.9	38.1	62.6	91.0	125.6	169.4	225.2
Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade Creditors	0.5	1.1	1.8	5.6	10.7	15.9	21.2	26.5	33.4	42.3
Other Liabilities	0.2	0.3	0.4	0.4	0.7	0.7	0.8	1.0	1.1	1.3
Total Liabilities	0.7	1.4	2.3	6.0	11.4	16.7	22.1	27.5	34.5	43.6
NET ASSETS	14.6	6.6	9.8	13.9	26.7	45.9	68.9	98.0	134.9	181.5
OEI and Pref Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder Equity	14.6	6.6	9.8	13.9	26.7	45.9	68.9	98.0	134.9	181.5

Cash Flow (\$m)

Y/e Jun	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
Operating EBITDA	(4.0)	(8.6)	(7.0)	2.0	10.1	19.7	28.9	37.5	48.7	63.7
Interest & Tax	0.8	0.9	1.2	0.1	(1.0)	(2.8)	(4.8)	(7.0)	(10.1)	(14.6)
Working Cap.		0.2	(0.8)	(1.0)	(2.1)	(1.4)	0.3	0.3	0.5	0.7
Operating Cash Flow			(6.6)	1.1	7.0	15.6	24.4	30.8	39.0	49.7
PPE			(0.1)	(0.4)	(0.8)	(0.9)	(1.1)	(1.0)	(0.8)	(1.1)
Intangible Assets			(0.3)	(0.6)	(1.1)	(1.5)	(1.6)	(1.6)	(2.3)	(3.0)
Other			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cashflow (FCF)			(7.0)	0.1	5.1	13.2	21.7	28.2	35.9	45.7
Ord Dividends			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity, (Debt Paydown)			7.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cashflow			0.3	0.1	5.1	13.2	21.7	28.2	35.9	45.7

SEGMENTAL SUMMARY (A\$m)

Y/e Jun	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
EBITDA										
Device & Consumable Sales	0.2	0.2	0.1	0.2	0.3	0.3	0.4	0.5	0.6	0.7
Device Rental Income	0.0	0.0	0.1	0.3	1.4	8.9	20.5	31.1	40.8	49.5
Consulting Income	0.0	0.2	0.3	0.9	1.3	2.0	2.9	4.4	6.6	9.9
other	-4.3	-9.1	-7.6	0.5	6.9	8.2	4.5	0.8	-0.1	2.6
Total	-4.0	-8.7	-7.0	1.9	9.8	19.3	28.4	36.8	47.9	62.7

dorsaVi Ltd

Date:

29-Jan-16

Model Updated:

29-Jan-16

KEY RATIOS

Y/e Jun	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
EBITDA Margin (%)	-520.5%	-465.1%	-206.2%	17.4%	40.9%	53.7%	59.2%	61.4%	63.5%	65.5%
NPAT Margin (%)	-453.2%	-434.8%	-181.9%	14.0%	33.8%	43.7%	47.0%	47.6%	48.0%	48.3%
ROE (%) y/e	-23.8%	-121.6%	-82.9%	18.0%	48.0%	48.0%	40.7%	34.0%	30.1%	27.8%
ROI (%) y/e	-592.5%	-953.8%	-350.7%	48.1%	129.8%	177.4%	222.4%	256.0%	295.1%	337.0%
NTA per share (\$)	0.10	0.05	0.07	0.12	0.24	0.39	0.57	0.79	1.07	1.42
Eff Tax Rate (%)	-13.9%	-7.5%	-13.0%	-12.9%	-15.0%	-17.0%	-19.0%	-21.0%	-23.0%	-24.9%
Interest Cover (x)	(3,010.0)	-7250.81	-3226.23	248.52	614.96	812.95	896.64	930.65	963.62	995.75
Net Gearing (%)	-95.3%	-86.2%	-79.4%	-71.8%	-71.7%	-76.3%	-81.5%	-85.3%	-88.0%	-89.8%

VALUATION PARAMETERS

Y/e Jun	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
EPS Adj (cps)	(3.6)	(6.6)	(4.1)	1.1	5.6	10.7	15.3	19.4	24.6	31.3
PE Adj (x)	(12.9)	(4.1)	(8.8)	33.1	6.5	3.4	2.4	1.9	1.5	1.1
Enterprise Value (\$m)	31.0	27.2	46.2	44.0	34.8	18.9	(2.2)	(29.7)	(64.7)	(109.0)
EV / EBITDA (x)	(7.7)	(3.1)	(6.6)	23.4	3.5	1.0	(0.1)	(0.8)	(1.4)	(1.7)
EV / EBIT (x)	(7.7)	(3.1)	(6.6)	23.4	3.5	1.0	(0.1)	(0.8)	(1.4)	(1.7)
Price / NTA	3.6	7.2	4.8	2.9	1.5	0.9	0.6	0.5	0.3	0.3
DPS (cps)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)										
Free Cash / Share (c)	0.0	0.0	(4.6)	0.1	3.4	8.8	14.5	18.8	24.0	30.5
Price / FCF PS (x)			(7.7)	567.5	10.5	4.1	2.5	1.9	1.5	1.2

DCF VALUATION & SENSITIVITY

PV of Cashflows 2016 to 2023	153	Risk Free Rate	4.0%
		Equity Risk Premium	8.5%
PV of Term Year Cashflow	366	Equity Beta	1.50
Less OEI atCY 15 y/e	0	Cost of Equity	16.7%
Cash and Equivalents	11	After Tax WACC	16.7%
Debt	0	Terminal Growth	4.0%
PV of Equity	164		
PV of Equity per share	\$ 1.10		

DIRECTORS

	Shares (m)
Herb Elliott (Chairman)	0.08
Ashraf Attia	0.19
Michael Panaccio	60.97
Greg Tweedy	0.06
Andrew Ronchi	7.02
	68.31

MAJOR SHAREHOLDERS

	%
Starfish Technology Fund II LP	40.42%
AR BSM Pty Ltd.	4.68%
DR BSM Pty Ltd.	4.68%
HSBC Custody Nominees (Aust) Ltd. - GSCO ECA	3.30%
Citicorp Nominees Pty Ltd.	3.12%
Top 20	73.08%

Source: Annual Report (Holdings as on September 24, 2015)

GROWTH PROFILE (YoY)

Y/e Jun	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F
Sales Revenue	42%	141%	82%	246%	111%	49%	33%	25%	26%	27%
EBITDA	-521%	-465%	-206%	17%	41%	54%	59%	61%	63%	65%
EBIT	-526%	-470%	-209%	16%	40%	53%	58%	60%	62%	65%
NPAT	-453%	-435%	-182%	14%	34%	44%	47%	48%	48%	48%
EPS	-81%	85%	-38%	-127%	412%	92%	43%	27%	27%	27%
DPS	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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Recommendation Criteria

Investment View

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

Buy	Hold	Sell
>20%	20% – 5%	<5%

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

Risk Rating

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