

# Spookfish (SFI)

## Potential Revolution in Aerial Imagery

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### Key Points

- Spookfish (SFI) is developing advanced technology to deliver aerial imagery at market leading resolution, quicker and cheaper than existing methods. The SFI team has experience in successfully developing start-up geospatial companies.
- SFI has defined a clear path to commercialisation of their technologies, starting with domestic sales then expanding into the international markets. The importance of high quality geospatial imagery is highlighted by the recent large value (up to \$3bn) transactions as global companies seek to gain a foothold in this emerging sector.
- We initiate with a Buy recommendation, Very High risk rating and a \$0.18/sh PT.** Key to our valuation is SFI hitting their guided development and commercialisation milestones.

### Developing Market Disruptive Technology

Spookfish Ltd (SFI) is an Australian based company that has developed world beating technology in the field of geospatial imagery. SFI has taken off the shelf sensor technology and created a platform to enable higher resolution images to be acquired over larger areas (country-wide scale), significantly faster and cheaper than conventional operators.

The global geospatial sector is estimated at US\$150- US\$270bn pa, with SFI targeting first the domestic geospatial imaging market (\$100m pa) then the important North American and European markets. The sector is equally divided between satellite and aerial photography. SFI aims to compete against effective satellite coverage rates but provide aerial photography resolution and features.

SFI aims make it easy for organisations of all sizes to gain access to premium imagery content and pervasive 3D models allowing concise, accurate and cost effective decision-making.

**Recommendation:** We have modelled the potential cash flows for SFI based on their development plans and initiate with a **Buy Recommendation, price target of \$0.18/sh** (current \$0.06/sh) and unrisks valuation of \$0.22/sh. The discount reflects that SFI is in the process of completing commercialisation of their technology and gaining market share in what is a competitive environment.

**Catalysts:** There are number of achievable value adding targets for SFI in the next 12 months, including:

- Successful acquisition of evaluation data in 3Q-4Q CY15.
- CASA approval of Generation I – 4QCY15
- Signing of commercial agreements – 4QCY15
- Flying of selected domestic areas - 1HCY16
- Rollout of Generation II technology – mid CY16.

**Risks: Commercialisation:** Moving from the development phase to broad scale acquisition and market acceptance in the time frames guided is the main risk. **Funding Risk:** additional funds are likely to be required to reach commercial production. We estimate an equity raising in late CY15 to early CY16. **Key personnel:** The in-house expertise and experience is a valuable asset for SFI

### Recommendation

### Buy

Previous Recommendation	Initiation
Risk Rating	Very High
Current Share Price	\$0.06
12 Month Price Target	\$0.18
Price Target Methodology	Discounted DCF
Total Return (Capital + Yield)	>100%
DCF Valuation	\$0.22
Market capitalisation	\$36m
Liquidity – Daily Value	\$0.1m

### Financial Forecasts & Valuation Metrics

Y/e (\$m)	CY15F	CY16F	CY17F	CY18F
Revenue	0.3	8.2	16.7	30.0
NPAT	-5.1	-1.9	2.5	10.0
EPS (cps)	-0.59	-0.22	0.29	1.15
EPS Growth	37%	-63%	-231%	300%
DPS (c)	0	0	0	0
EV / EBITDA (x)	-9.1	-32.5	7.9	2.0
PER (x)	-9.6	-25.8	19.8	4.9
Dividend Yield	0%	0%	0%	0%
Gearing	0	0	0	0
Interest Cover (x)	na	na	na	na

Source: PAC Partners estimates

### SFI share price performance



Source: Iress

# SFI Overview

- Historical**

Spookfish was incorporated in 2012 and commenced research and development leading to the first design of the demonstration, Generation I, platform and the lodging of patents in 2014. . By late 2014 test flights of the demonstration system had been successfully undertaken, with the results proving the capabilities of the system.

A backdoor listing (White Star Resources) in early 2015 was completed with \$5m raised to fund the commercialisation of Generation I and development of Generation II technology plus undertaking more test flights.
- Commercialisation of Generation I Technology**

The immediate focus for SFI is now to commercialise the Generation I technology at the same time as advancing Generation II and III technology. A number of evaluation agreements have been signed with potential clients. It is anticipated that the first commercial agreement is likely to be signed late 2015 or early 2016 and rapidly ramping up throughout 2016.
- Target sectors**

SFI is targeting the fast growing aerial imaging sector with its products and services being prepared for large scale operations in 2016. Globally the geospatial industry is enormous and still growing. The industry is estimated to report revenues of \$150-\$270bn per annum. The traditional Australian market for geospatial imagery is in the region of \$100m, dominated by government purchasers. Divided almost evenly between satellite and aerial imagery, the global imagery acquisition and processing market is worth around \$6bn per year. We see SFI as potentially disruptive to both the satellite and conventional aerial imagery.
- SFI Differentiator**

The traditional geospatial sector has two established acquisition methods. The first, satellite imagery acquires large amounts of data quickly however the resolution is low (>30cm) and the ability to avoid poor conditions (cloud cover) is low. The second method is the use of conventional aerial imagery, this produces higher resolution images (potentially <5cm) but is slower, expensive, limited by weather and airspace restrictions. The application of proprietary technology by SFI will enable the cost effective capture of high resolution (<5cm) imagery at country scale.
- Target Sectors**

Spookfish's Generation Two Camera system will open up newer markets, including Military, where the company's product will find applications in domestic defence planning, in-theatre expeditionary operations and in civil defence and disaster relief operations. Although the geospatial imagery market is competitive, Spookfish has an edge over its peers with its high productivity, low costs and 3D technology. Moreover, the company also has plans to foray into the foreign markets would help battle competition.
- Revenue Model**

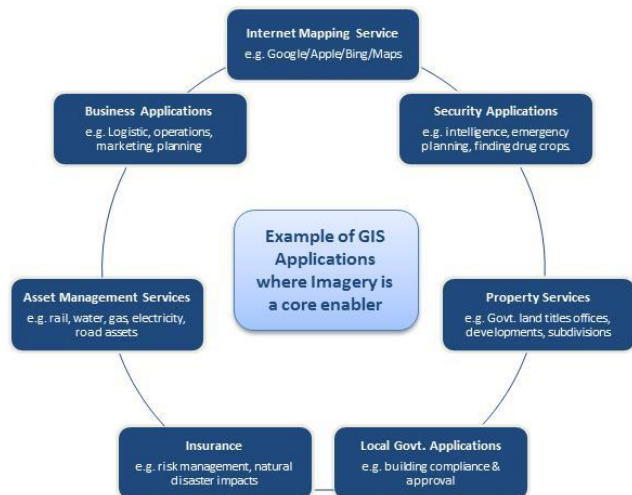
The initial focus will be Government Departments, both Federal and State level, to fund regional surveys as part of the testing phase. The next client sector will be large commercial operators.

SFI is also developing a web based portal to enable subscription based users to access imagery data. This will provide SFI with multiple clients from one data set.
- Blue-sky potential**

The potential of the SFI platform to be mounted on a high altitude jet aircraft allows for even larger amounts of high resolution imagery to be collected very rapidly and also reduces access issues due to commercial aircraft. The successful development and commercialisation of the Generation IV technology would be a game changer not only for SFI but also the geospatial industry.
- Management and Technical team is key to SFI success**

SFI have assembled and experienced team that straddle both the aerial photo imagery sector and also the corporate sector.

Global Geospatial Imagery Industry is valued at US\$6bn pa.



Source: Company Presentation

## SFI Technology

**Revolutionary Technology Gaining Momentum**

Spookfish has adapted off the shelf sensor technology to develop an innovative camera system capable of producing 3D output which captures large scale, wide-area, cost effective, current and very high resolution imagery. This will enable practical country wide coverage in 2D and 3D, including digital elevation models. All output is processed from the same single capture program using a high performance aircraft and camera system solely optimised for this purpose. The ability to cover large areas quickly and cheaply will eliminate the need to mosaic a patchwork of images from different sources and colour balance different data sets to produce consistent output.

The expertise in the core technology adds advantage to the Company over its competitors. SFI has potentially achieved an industry breakthrough in the ability to cover entire countries and not just cities.

The ability to also fly at higher altitudes and maintain resolution resolves the typical airspace access and congestion problems, boosting productivity.

**Technology Generations**

In the demonstrator platform (Generation I) that SFI is currently using to evaluate the technology a series of sensors (cameras) is used to capture vertical and oblique imagery. The Generation II platform has more sensors and more sophisticated optics, enabling more images to be acquired per second, resulting in faster flying speeds and higher resolution. The next phases of development (generation III and IV) will allow for higher flying altitudes and greater acquisition rates.

### Spookfish Aircraft Mounted Generation I Camera

**The SFI developed camera system can be installed on the underside of a conventional aircraft**



Source: Company

### Summary of SFI's Planned Generational Development

**Future Development path mapped out.**

	Coverage (km <sup>2</sup> /day)	Resolution (cm)	Flying Height (ft)	Costs (A\$/km <sup>2</sup> )	Comments
Generation I	2,000	5	10,000	<\$10	Demonstrator phase
Generation II	15,000	5	20,000	\$5	
Generation II	22,500	7.5	30,000	<\$5	Higher flying height
Generation III	30,000	3.75	35,000	<\$5	Using turbo prop aircraft
Generation IV	50,000	5	42,000	<\$5	Using jet aircraft

Source: PAC Partners estimates and Company Reports

**Current platform undergoing advanced testing**

**Generation I:** Is the current platform which is based on advances in CMOS (complementary metal-oxide-semiconductor) sensor technology, which has been adapted from mobile phone and military specification technology to be applied in the remote sensing market. One of the features of the system is the large amount of data captured, over 12 billion pixels captured per km<sup>2</sup>, allows for the automated production of accurate, high quality True Orthophotos, elevation data and 3D Models.

The first test flight of the platform was successfully completed in late 2014. A number of evaluation programs are planned with the Generation I platform, to be followed by commercial operations in 2016.

**Main commercial**

**Generation II:** The planned launch date for Generation II is in mid 2016. The main improvement will

platform scheduled for release in mid 2016

be in the number of sensors allowing for more data to be acquired. By flying at a higher altitude the resolution decreases from 5cm to 7.5cm, with the benefit that the coverage rate increases and acquisition costs decrease. Generation II is likely to become the main commercial platform for SFI while they establish market share.

**Generation III:** The next stage will be increasing the resolution to 3.75cm and increasing flying height allowing for a 33% to 100% increase in coverage rates. It is envisaged that the Generation III platform will be mounted on a conventional Turbo prop aircraft.

The blue-sky game changer potential

**Generation IV:** Mounting the Generation IV platform on a jet powered aircraft will allow for the flying height to increase to >40,000ft and coverage to increase to in excess of 50,000km<sup>2</sup>/day. The other advantage of the higher flying height is that commercial air traffic is generally under this altitude, providing SFI with the possibility of covering metropolitan regions without the limitations of congested air space.

**Comparison between SFI and Existing Technologies**

Platform	Resolution	Advantages	Limitations
Satellite	>30cm	Large coverage area Able to image across borders	High cost, Low resolution Acquisition times determined by satellite availability Cloud cover
Conventional low altitude aerial imagery	<5cm – 30cm	High resolution Flexible survey times and locations Gen II flying above most airspace congestion in metro areas. Scaling to Gen IV ability to be flown above commercial air space.	High cost, Impacted by cloud cover. Access issues in congested air space.
SFI	3.75cm – 7.5cm	Rapid acquisition time Low cost	Commercialisation to be completed.

Source: PAC Partners

**Patents**

Spookfish has lodged three patents to date covering the key aspects of their proprietary technological and development. The patent approval process is well underway.

**Patent 1:** Lodged September 2014, covers aspects of the flight control system developed by SFI. The system allows for improvements in operational efficiency in areas where flight space restrictions limit access.

**Patent 2:** Lodged October 2014, covers core technologies involved with the camera system developed by SFI.

**Patent 3:** Lodged April 2015, covers the advanced image stabilisation technologies for Gen III and IV that allow the camera system to be attached to a high-speed aircraft flying at high altitudes capturing sub- 5cm pixel imagery.

## Target Markets

Spookfish is targeting the government and large commercial sector users. It is also seeking alliances and licensing opportunities to accelerate global expansion. A key element of SFI's planned delivery is to establish a single web based portal where customers can source the required imagery either by a subscription or individual transaction based methods.

Geospatial imagery is a core data set for utility managers and is integrated into their business systems for executives to field staff to improve asset management and organisational productivity. It has also signed agreement with a leading international insurance group.

Spookfish continues to engage with significant users of geospatial imagery spanning many sectors confirming the broad appeal of its offering. The geospatial industry continues to grow as the data becomes more readily available and interpretation tools become more mainstream (Google Earth for example).

**Insurance Industry:** The insurance sector is one of the biggest users of geospatial data and the provision of cost effective, high quality building attribute and land cover data on a national basis from one service provider is very highly sought in the sector. High resolution imagery available as True 3D models, along with digital elevation models will facilitate more accurate asset and environmental impact analysis.

**Infrastructure and business planning:** Geospatial imagery is vital when analysing growing demands and trends in urban and rural uses. For example SFI has received interest from companies operating in the solar panel installation, civil construction and urban civil engineering sectors.

**Military and Security Sectors:** Detailed imagery that can be readily updated can be utilised for the detection of drug crops, intelligence gathering and emergency planning.

**Government Agencies:** Government uses range from large scale infrastructure projects at the Federal and State levels to building development application assessment at local Government level.

**Internet Mapping Services** such as Google, Apple and Bing Maps are constantly looking for the most up to date and highest resolution imagery to differentiate themselves from their competitors.

### Growing Customer Demand To Access Unique Capabilities

SFI has entered into several evaluation contracts with various industry groups including:

Organisation	Industry	Advantage from Spookfish
Australian Geospatial Software company	Software	Fast, cost effective, productive, high quality countrywide imagery
International property analytics group	Property	Speed, cost, resolution, 3D capability, continuous coverage, airspace access
Australian State-owned water utility	Water Utility	Reliable, cost effective, very high resolution, 2D and 3D imagery used in asset management and planning.
Three geospatial imagery users	<ul style="list-style-type: none"> <li>• solar panel installation</li> <li>• civil construction</li> <li>• urban civil engineering</li> </ul>	Ability to acquire imagery reliably, regularly without out airspace congestion restrictions
International Insurance Company	Insurance	
Global Online accommodation market place	Web business	Provides travellers with up to date state and country wide data to assist with travel planning.
US Military Contractor	Military	Provides 3D and wide area imagery used in defence and operations planning

Source: PAC Partners and company reports

## Valuation

Revenue to ramp up later in CY16 and then into CY17

We have assumed that CASA approval for Generation I will be granted in 4QCY15 allowing flying of initial bespoke surveys in Australia to commence predominantly in early CY16. Followed by Generation II to commence in early 2HCY16 flying larger surveys. Revenue in CY15 will be limited with the bulk of revenue starting in CY16 and then ramping up as the second platform becomes available. As the number of users increases in parallel with the coverage rate we expect a strong growth in revenues from 2017 onwards. A key growth target will be expanding the company's capabilities beyond Australia into USA and Europe. These more highly populated regions provide more scope for increased customers.

Leasing planes reduces start-up capital required

As SFI plans to lease the aircraft the initial capital costs will be reduced, we assume that the fit out cost on each plane will be ~\$2m. Other capital requirements will be establishing data storage and processing facilities. We estimate that the total capital required to reach commercialisation stage will be A\$10-\$15m.

Assumed equity raise to fund development

We have assumed an equity raising to be undertaken in late CY15, the timing could slip into early CY16 based on the requirement to undertake development of the Generation II platform. We have assumed required capital of \$8m with no debt issued. The securing of lighthouse customers could reduce the equity capital required and also open the possibility for less dilutive debt financing.

### Valuation Summary

Total Present Value of Free Cash Flows =	149.6
Cash & cash equivalents	3.7
Total Debt	0.0
Minority Interest	0.0
Equity Value (Present Value)	153.4
Number of Shares outstanding (m)	709.6
<b>Value per Share (A\$/sh)</b>	<b>0.22</b>

Source: PAC Partners estimates

### Sensitivity Analysis

#### Change in Target Price with a 1% change in WACC

WACC	13.33%	14.33%	15.33%	16.33%	17.33%
Terminal Growth %	2.00%	2.00%	2.00%	2.00%	2.00%
Target Price (A\$ / Share)	0.24	0.22	0.19	0.18	0.16

#### Change in Target Price with a 0.5% change in Terminal Growth %

WACC	14.33%	14.33%	14.33%	14.33%	14.33%
Terminal Growth %	1.00%	1.50%	2.00%	2.50%	3.00%
Target Price (A\$ / Share)	0.20	0.21	0.22	0.22	0.23

Source: PAC Partners estimates

## Peer comparison:

The closest equivalent to SFI listed on the ASX is NearMap (ASX:NEA). NEA has a first mover advantage and proven revenue streams that differentiate it from SFI. In SFI's favor is that key members that created NEA have joined SFI.

PARTICULARS	Spookfish Limited	NearMap	DigitalGlobe Inc
Currency	AUD	AUD	USD
Reuter Ticker Symbol	SFI.AX	NEA.AX	DGI.N
Share Price (18/09/2015)	0.07	0.47	31.57
<b>KEY INFORMATION</b>			
Revenue (A\$m) (TTM)	0.1	26	688
Net Income (A\$m) (TTM)	(-1.0)	(-0.8)	11.4
Market Cap (A\$m)	34	176	1,657
<b>VALUATION RATIOS (x)</b>			
Price/Book Value (MRQ)	5.8	7.8	1.3
Price/Cash Flow (TTM)	-	61.3	6.0
Price/Sales (TTM)	396.1	6.7	2.4
Beta	0.18	1.65	0.49
<b>MANAGEMENT EFFECTIVENESS</b>			
Return on Average Assets (TTM)	-25.1	-2.0	0.5
Return on Average Investments (TTM)	-27.2	-3.6	0.6
<b>PROFITABILITY (%)</b>			
EBITD Margin (TTM)	(-1110.5%)	14.9%	45.8%
Operating Margin (TTM)	(-1115.7%)	0.9%	7.3%
Net profit Margin (TTM)	(-1110.5%)	(-3.0%)	2.4%
<b>EFFICIENCY (x)</b>			
Receivable Turnover (TTM)	0.15	7.48	6.21
Asset Turnover (TTM)	0.02	0.65	0.22
<b>FINANCIAL STRENGTH (x)</b>			
Current Ratio	4.9	1.2	2.0
LT Debt to Equity (MRQ)	0.0	0.0	86.8
Total Debt to Equity (MRQ)	0.0	0.0	87.2
Interest Coverage (TTM)	(-91.2)	503.1	38.3
<b>GROWTH RATES (%)</b>			
Revenue(TTM) vs TTM 1 Yr Ago	(-57.5%)	30.2%	6.0%
<b>DIVIDENDS (%)</b>			
Dividend Yield	-	-	-
Payout Ratio (TTM)	-	-	-

Source: Thomson Reuters, Iress & PAC Partners estimates

## Recent Peer Transactions

In June of this year Vista Equity Partners entered into an agreement to acquire Eagle View Technology, no quantum appears to have been reported but an earlier bid of \$650m was not successful. Eagle View Technologies is a provider of aerial imagery, data analytics and GIS solutions, with coverage of over 90% of the populated areas in the USA.

Multi-billion dollar acquisitions in the sector

Also in June 2015 Uber purchased the imagery section from Bing search engine owned by from Microsoft. Uber is seeking to build their own mapping tool for their drivers to use. This was after Uber was unsuccessful in bidding for Nokia's mapping service, Here. with a bid reported of US\$3bn. Here spend hundreds of millions on data acquisition every year as they update their maps. Google maps has ~1bn customers but Here dominates the global automobile market with ~80% market share.

What these recent transactions show is the growing importance of digital mapping services in connecting company products to a geospatial tool and also the valuation that major corporations are putting on the sector.

## Capital Structure

Shares on issue: 710m (550.5m unrestricted and 159.1m restricted)

Options: 7.5m Director options, unlisted (\$0.025/sh exercise price)

72.5m unlisted options ((\$0.05/sh exercise price, expiry 30/11/2018)

Milestone shares:

160m shares issued upon \$20m cumulative revenue within 4 years

200m shares issued upon \$36m cumulative revenue within 5 years

In event of a takeover up to 130m shares can be issued upon successful takeover at \$0.18/sh

## Major Shareholders

Holder	% Held
Hoperidge Enterprises Pty Ltd	8.87%
Michael John von Bertouch	4.68%
Simon Cope	3.58%
Denlin Nominees Pty Ltd / Oaktone Nominees Pty Ltd	3.16%
Goldstake Corp Pty Ltd / Tisia Nominees	3.11%
JK Nominees Pty Ltd	3.11%
Hackett CD Nominees Pty Ltd	3.03%
<b>Top 20</b>	<b>53.5%</b>

## RISKS

### Protection of Intellectual Property

SFI has applied for a number of patents over their proprietary technology, with the approval process continuing. Spookfish relies to an extent for its success on its ability to obtain and maintain patent protection for its technology.

### Funding Risk:

Being a start-up company SFI has high research and development expenditure and is yet to generate revenues. We have assumed that SFI will need to undertake additional raising of capital to complete the development of the Generation II platform and reach cash flow positive status.

### Commercialisation risk

To date, the company has principally developed its software and product as well as seeking patent protection. It is still developing and testing its technology and has yet to commence the full commercialisation phase of the business cycle. Successfully demonstrating the commerciality of the technology will significantly lower risk levels.

### Next phase technology development

The growth of Spookfish is dependant on successfully moving from Generation 1 through Generation II to Generation IV technology. Delays in this development process or inability to reach the next level present a risk to Spookfish

### Viable commercialisation

Risks are involved in the ability to transition the technology in to a commercial solution that provides the expected operational performance and attracts market share. The main factors that may influence the risk level include; data storage costs, costs of producing, maintaining and operating aircraft, and the efficient functioning software.

### Competition and New Technologies

Spookfish expects to be able to capture market share by offering a differentiated product to their competitors. The industry in which Spookfish operates is competitive and includes companies, both emerging and established, with greater financial, technical, human, research, development, and marketing resources than currently available to Spookfish.

### Reliance on third parties:

SFI proposes to use a number of third party service providers which carry a certain level of contractual risk that the services will be provided to the specifications required.



## Board and Management

One of the key attributes of SFI is the depth of experience that the board and management team bring to the company.

### **Jason Marinko** **Executive Chairman**

Jason is a former corporate advisor and public company CEO with over 15 years of corporate finance experience. He previously held associate director positions at Azure Capital, where he managed equity capital raisings for private and public companies, and Euroz Corporate, where he advised on small and mid-cap mergers, acquisitions and equity capital raisings. He also was formally the CEO of Little World Beverages Limited and Little Creatures Brewing Pty Ltd and has held senior corporate strategy roles with Qantas and SingTel Optus.

### **Mike von Bertouch** **Head of Flight Ops. &** **Executive Director**








Mike is responsible for all image acquisition systems hardware, aeronautics and flight operations for Spookfish. He holds a Bachelor of Engineering (Aerospace) degree with Honours and an MBA. He has in excess of 20 years of experience across a wide range of industries and organisations. His experience includes being an Australian Civil Aviation Safety Authority (CASA), Authorised Person, holding a broad range of design approval authorities. He has acted as a consultant to Nearmap Ltd and is also a director of Structured Design Pty Ltd, a provider of technical and technology-management consulting services to companies and government departments including the Australian Defence Forces.

### **Simon Cope** **Chief Technology** **Officer & Sub.Dtr**

Simon has over 20 years working in the geospatial imaging technology field, having performed a range of roles in early stage start-ups to multi-nationals including Chief Architect at Landgate, Western Australia's primary source of land information and geographic data; Spatial Architect at Ajilon, a leading IT services consultancy; Chief Technical Officer at Nearmap Ltd; Chief Technologist at ERDAS LLC, a division of Swiss based Leica Geosystems; Founder of fotoMuse Pty Ltd which was acquired by Leica Geosystems; and Chief Software Architect at Earth Resource Mapping Ltd. He is a recognised senior technology leader with a proven track record in delivering market disrupting technologies and innovative products in the geospatial imagery sector from prototype stage through to large-scale commercial production.

### **Guy Perkins** **Head of Strategic** **Sales & Sub.Dtr**

Guy has over 25 years experience in the global geospatial industry including in Europe, Asia, North America and Australia/NZ. He was previously Managing Director of ESRI Australia, CEO of ER Mapper, COO of Nearmap and held various executive management roles MapInfo, Hexagon, and 1Spatial. He is a civil engineer (UWA) and was recently appointed Chairman of the Advisory Board to Curtin University, School of Spatial Sciences.

<b>Spookfish Limited</b>							
<b>NFPOS</b>	<b>710 m</b>						
		<b>Price \$ 0.06</b>					
		<b>Market Cap \$43 m</b>					
<b>PROFIT &amp; LOSS (\$m)</b>							
Y/e Dec	CY14A	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F
Revenue	0.1	0.3	8.2	16.7	30.0	47.5	62.3
EBITDA	-3.0	-4.4	-1.2	4.3	14.9	29.0	40.2
Depreciation & Amortisatio	0.1	0.7	0.7	0.7	0.7	0.7	0.7
<b>EBIT</b>	<b>-3.1</b>	<b>-5.1</b>	<b>-1.9</b>	<b>3.6</b>	<b>14.2</b>	<b>28.3</b>	<b>39.4</b>
Net Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income tax	0.0	0.0	0.0	-1.1	-4.3	-8.5	-11.8
NPAT underlying	-3.1	-5.1	-1.9	2.5	10.0	19.8	27.6
Equity Accounting Profits							
Less non-controlling Intere	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>NPAT underlying - attril</b>	<b>-3.1</b>	<b>-5.1</b>	<b>-1.9</b>	<b>2.5</b>	<b>10.0</b>	<b>19.8</b>	<b>27.6</b>
Abnormal items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT Reported.	-3.1	-5.1	-1.9	2.5	10.0	19.8	27.6
NPATA							
<b>BALANCE SHEET (\$m)</b>							
Y/e Dec	CY14A	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F
Cash	1.8	5.3	6.1	11.9	16.1	31.1	42.0
PP&E	0.0	0.4	0.6	0.9	1.1	1.3	1.5
Debtors & Inventory	1.1	0.3	4.9	7.8	10.8	16.5	21.3
Intangibles	0.0	6.5	6.4	6.2	6.1	5.9	5.7
Other assets	0.3	0.6	2.5	2.0	2.7	3.8	5.0
<b>Total Assets</b>	<b>4.5</b>	<b>13.1</b>	<b>20.5</b>	<b>28.8</b>	<b>36.8</b>	<b>58.6</b>	<b>75.5</b>
Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade Creditors	0.6	0.5	5.6	5.1	5.7	7.1	7.6
Other Liabilities	0.0	0.1	5.7	9.2	13.8	21.0	28.3
<b>Total Liabilities</b>	<b>0.6</b>	<b>0.6</b>	<b>11.2</b>	<b>14.3</b>	<b>19.5</b>	<b>28.1</b>	<b>35.9</b>
<b>NET ASSETS</b>	<b>3.9</b>	<b>12.5</b>	<b>9.2</b>	<b>14.5</b>	<b>17.3</b>	<b>30.5</b>	<b>39.6</b>
OEI and Pref Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Shareholder Equity</b>	<b>3.9</b>	<b>12.5</b>	<b>9.2</b>	<b>14.5</b>	<b>17.3</b>	<b>30.5</b>	<b>39.6</b>
<b>Cash Flow (\$m)</b>							
Y/e Dec	CY14A	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F
<b>Operating EBITDA</b>	<b>0.0</b>	<b>0.3</b>	<b>8.2</b>	<b>16.7</b>	<b>30.0</b>	<b>47.5</b>	<b>62.3</b>
Interest & Tax	0.1	0.0	0.1	1.1	4.4	9.0	13.1
Working Cap.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Operating Cash Flow</b>	<b>(0.9)</b>	<b>(4.4)</b>	<b>(1.1)</b>	<b>5.4</b>	<b>19.3</b>	<b>38.0</b>	<b>53.2</b>
Investments	0.0	0.5	0.5	0.5	0.5	0.5	0.5
PPE	(0.0)	(0.9)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Other	(2.2)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Free Cashflow (FCF)</b>	<b>(3.1)</b>	<b>(4.7)</b>	<b>(2.1)</b>	<b>4.4</b>	<b>18.3</b>	<b>37.0</b>	<b>52.2</b>
Ord Dividends	0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.2)
Equity, (Debt Paydown) 	1.8 	8.0 	0.0 	0.0 	0.0 	0.0 	0.0
<b>Net Cashflow</b>	<b>(1.3)</b>	<b>3.3</b>	<b>(2.1)</b>	<b>4.4</b>	<b>18.3</b>	<b>36.9</b>	<b>52.1</b>
<b>DIVISIONAL SUMMARY (A\$m)</b>							
Y/e Dec	CY14A	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F
<b>Revenue</b>							
Lighthouse Sales	0.0	0.0	6.0	10.5	14.7	20.6	26.8
Subscription Sales	0.0	0.1	2.0	6.0	15.0	26.3	34.1
<b>Total</b>	<b>0.0</b>	<b>0.1</b>	<b>8.0</b>	<b>16.5</b>	<b>29.7</b>	<b>46.8</b>	<b>60.9</b>

**Spookfish Limited**

**Date:**  
**Model Updated:**

**1-Oct-15**  
**1-Oct-15**

## KEY RATIOS

Y/e Dec	CY13A	CY14A	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F
EBITDA Margin (%)	-448.5%	-2291.8%	-1723.0%	-14.7%	25.5%	49.8%	61.1%	64.4%
NPAT Margin (%)	-454.6%	-2358.4%	-1992.7%	-23.1%	14.9%	33.2%	41.7%	44.3%
ROE (%) y/e	-10.9%	-79.6%	-47.4%	-15.2%	26.9%	68.6%	114.6%	90.5%
ROI (%) y/e	953.8%	-148.9%	-70.6%	-59.8%	136.2%	1190.2%	-4814.4%	-1642.2%
NTA per share (\$)	0.00	0.01	0.01	0.02	0.03	0.04	0.07	0.10
Eff Tax Rate (%)	0.0%	0.0%	0.0%	0.0%	-30.0%	-30.0%	-30.0%	-30.0%
Interest Cover (x)	-	-	-	-	-	-	-	-
Net Gearing (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## VALUATION PARAMETERS

Y/e Dec	CY13A	CY14A	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F
EPS Adj (cps)	0.00	-0.43	-0.59	-0.22	0.29	1.15	2.30	3.20
PE Adj (x)	nm	-13.00	-9.62	-25.81	19.77	4.94	2.48	1.78
Enterprise Value (\$m)	40.2	41.5	38.0	37.2	31.4	27.2	12.2	1.3
EV / EBITDA (x)	-122.4	-13.8	-8.6	-30.8	7.4	1.8	0.4	0.0
EV / EBIT (x)	-120.8	-13.4	-7.4	-19.5	8.8	1.9	0.4	0.0
Price / NTA	13.8	9.7	6.6	3.1	1.9	1.4	0.8	0.6
DPS (cps)	0.00	0.00	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%
Franking (%)	0%	100%	100%	100%	100%	100%	100%	100%
Free Cash / Share (c)	na	-0.4	-0.7	-0.3	0.6	2.6	5.2	7.4
Price / FCF PS (x)	na	-14.0	-9.1	-20.5	9.9	2.4	1.2	0.8

## DCF VALUATION &amp; SENSITIVITY

PV of Cashflows 2015 to 2021	51	Risk Free Rate	2.7%
		Equity Risk Premium	9.3%
PV of Term Year Cashflow	99	Equity Beta	1.25
Less OEI at CY15 y/e	0	Cost of Equity	14.3%
Cash and Equivalents	4	After Tax WACC	14.3%
Debt	0	Terminal Growth	2.0%
<b>PV of Equity</b>	<b>153</b>		
PV of Equity per share	\$ 0.22		
Risked PV of Equity Per Share	\$ 0.18		

## DIRECTORS

## MAJOR SHAREHOLDERS

		%
Jason Marinko (Chairman)	Hoperidge Group	8.91%
Shannon Robinson	Tong Grist	3.17%
Stephen Rloe	Simon Hackett	3.04%
Mike von Bertouch	Zero Nominees Pty Ltd	2.22%
	Brent Stewart	1.20%
	<b>Top 20</b>	<b>40%</b>

## GROWTH PROFILE (YoY)

Y/e Dec	CY14A	CY15F	CY16F	CY17F	CY18F	CY19F	CY20F
Sales Revenue		0%	>100%	106%	80%	58%	30%
EBITDA		-47%	73%	452%	251%	94%	38%
EBIT		-65%	63%	287%	300%	99%	39%
NPAT		-265%	63%	231%	300%	99%	39%
EPS		37%	-63%	-231%	300%	99%	39%
DPS		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.

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