

## BidEnergy (BID) - Software - Initiation

Robotic Process Automation for Electricity, Gas, Water and More

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Summary	Recommendation	Buy
<p>BidEnergy Limited (BID) is a software as a service (SaaS) technology company principally engaged in the provision of its cloud-based Energy Spend Management (ESM) procurement platform for multi-site organizations.</p> <p>The platform uses robotic process automation (RPA), a type of artificial intelligence (AI) to gather data on energy spend and usage, validate invoices against electronic meter data, schedule payments, update accounting systems and perform electronic tendering of customers' supply contracts. It also provides comprehensive analytics and reporting.</p> <p>100 customer accounts worldwide (81 unique customers) and 39,500 meters under management. Customers include Optus (&gt;6,000 locations), BP (~600 petrol stations Aust + 306 UK) and commencing 1/7/19 Cushman &amp; Wakefield 10,500 meters/locations for 17 tier one customers.</p> <p>BID also owns RealWinWin Inc (RWW) acqd Nov 2016 which manages the outsourced process of enterprises claiming rebates for the installation of energy efficient equipment. RWW is now profitable and has 100+ large multi-site customers for BID to cross sell its ESM services into.</p>	<p><b>Risk Rating</b> <b>High</b></p> <p><b>24-mth Target Price (AUD)</b> <b>\$2.20</b></p> <p>Share Price (AUD) \$0.68</p> <p>12-mth Price Range \$0.15 - \$1.76</p> <p>Forecast 12-mth Capital Growth 223%</p> <p>Forecast 12-mth Dividend Yield 0.0%</p> <p><b>12-mth Total Shareholder Return</b> <b>214%</b></p> <p>Market cap (\$m) 74.9</p> <p>Net debt (net cash) (\$m) (Jun 19e) (3.6)</p> <p>Enterprise Value (\$m) 71.3</p> <p>Gearing (Net Debt/ Equity) N/a – Net Cash</p> <p>Shares on Issue (m) 110.1</p> <p>Sector Information Technology</p> <p>Average Daily Value Traded (\$) \$387,000</p> <p>ASX 300 Weight n/a</p>	

### 1H19 Result

- Revenue \$2.8m up 24% (Platform +55%, RWW +4%). Operating costs \$4.6m up 5%. Ebitda loss -\$1.8m (v -\$2.3m) but significant progress made in growing the business.

### Quarterly Report (Q3)

- YTD revenue (9 mths) \$4.0m (V \$3.0m) +31%.
- Annualised revenue \$6.1m +39% on Mar 18 \$4.4m.
- Net cash \$3.9m. Cash burn modest at -\$2.3 m (9mths).
- Unique enterprise customers +28 to 81 or +53% (9mths).
- Meters under management +18,000 to 39,500 +83%, including 10,500 for Cushman & Wakefield now on-boarding. Further facilities management (FM) customers a key target.

### Initiation – Buy at \$0.68 Price Target \$2.20

We initiate coverage with a Buy (high risk) recommendation and 24-month price target of \$2.20 per share.

We believe the BID platform is now proven and de-risked in A & NZ with 75 enterprise customers and churn <5%.

UK launch just 16 months in with 6 enterprise customers including BP UK a key reference customer (306 sites).

US launch now 2 years in with 6 clients including JoAnn Stores a key reference customer (850 sites in 49 states). US market est. 150m meters ~13x the Australian market.

Inflection point reached; Establishment phase now complete; New client wins set to accelerate...globally.

"BidBilly" - important new SME / residential product set to launch later this year with a major "trusted brand" partner. We est. \$3.7m of revenue by year 3 (FY23). 10% of group.

### Financial Forecasts & Valuation Metrics

Years ending June \$m	17(A)	18(A)	19(e)	20(e)	21(e)
Sales revenue	2.6	4.1	5.4	9.7	17.4
Sales growth	212%	55%	34%	78%	80%
EBITDA	-5.7	-2.8	-4.5	-1.5	5.1
NPAT (reported)	-7.2	-4.5	-4.8	-1.9	4.6
NPAT (adjusted)	-6.0	-3.4	-4.8	-1.9	4.6
EPS (adjusted)	-12.4	-3.4	-4.4	-1.6	3.6
EPS growth	79%	-73%	30%	-63%	large
DPS	0.0	0.0	0.0	0.0	0.0
P/E	-5.5	-20.2	-15.6	-41.9	18.7
EV / Ebitda	-12.7	-24.9	-15.9	-47.6	13.1
Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net debt / equity	net cash				

Source: Phillip Capital estimates

### BID SHARE PRICE PERFORMANCE



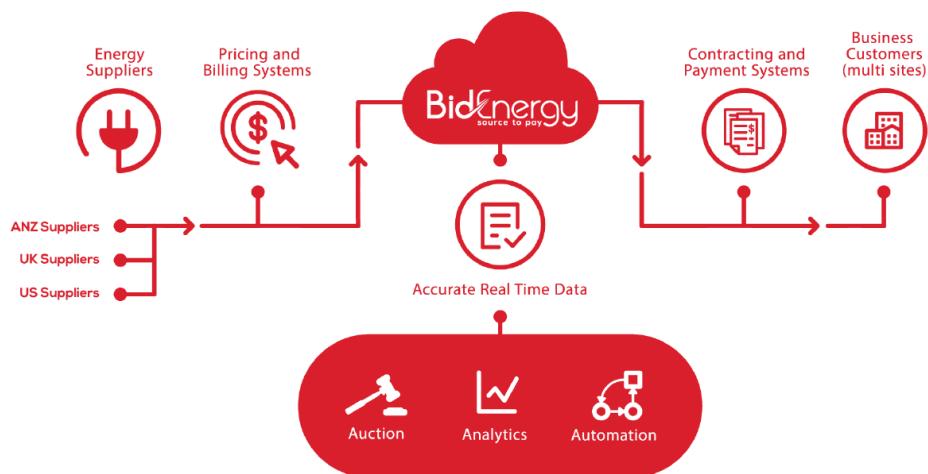
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## Company Description

BidEnergy Limited (BID) is a software as a service (SAAS) technology company principally engaged in the provision of its cloud-based Energy Spend Management (ESM) procurement system. It is a cloud-based platform used by multi-site organizations to manage their energy category, using robotic process automation (RPA) to gather data on energy spend and usage. By automatically capturing and validating invoices against electronic meter data, its customers can update their accounting and payments processes, go to market at short notice to optimize their supply contracts and reduce on-bill charges using comprehensive analytics and reporting.

### Proven and globally scalable technology platform



It offers various solutions, such as data management and analytics, payment and budgeting, and procurement and contract management. The integrated platform offers sourcing, contract management, spend analysis, budgeting, forecasting, payment automation, accounting, and supplier risk and performance management. The solution has an in-built interface to integrate with existing enterprise computer systems such as SAP.

The majority of clients use BID's platform for electricity bill management, with gas and water also now offered. Clients typically sign up for annual contracts (although larger customers such as BP, Optus and Cushman & Wakefield are 3-5 years) and are charged on a monthly or annual subscription basis. The subscription amount reflects the number of bills processed (most are monthly with a separate bill for each meter), the number of sites, the energy dollar spend, and the level of service provided (eg modules taken). Additional value-add modules are being introduced progressively (eg. Procurement, water, council rates, advanced analytics).

BID's clients include Singtel Optus (> 6,000 sites including stores, mobile phone towers, offices etc), BP Australia and New Zealand (> 600 petrol station sites), and Cotton On (> 400 retail store sites). BID now has over 81 unique customers including 19 in multiple countries making 100 agreements overall (Vs 53 unique customers at June 30, 2018):

- Australia - 75 enterprise customers (NB Cushman counted as a single client).
- New Zealand - 13 enterprise customers. (NB. A & NZ combined – 75 unique customers as 100% overlap).
- UK - 6 customers – including 1<sup>st</sup> client BP UK (all of BP UK's 306 company-owned service stations plus refineries, depots and other related properties) and Toll Group (Aussie client).
- USA - 6 customers : Jo-Ann Stores Inc (~850 fabric and craft stores, requiring BID to manage and analyse bills from approximately 1,000 energy retailers in 49 states); XSport Fitness; AN Other; Toll Group; Cotton On (now 140 stores) and Aqua America (water utility serving 3m people). BID also has alliances with Correlate Inc and Apollo Edison USA (outsourced specialist energy consultants).

In December BID announced a major new contract with Cushman & Wakefield, a major international property and facilities management company. Commencing 1 July 2019 BID will manage approximately 10,500 meters on behalf of 16 (now 17) major Australian clients of Cushman. We understand this includes a number of ASX Top 20, Top 50 and government customers though client names remain confidential. Cushman will become BID's largest client accounting for approximately 18% of annualised contracted revenue value (ACV).

BID now has over 39,000 meters under management (mostly electricity) including the Cushman

contract. Australia has in excess of 11.5 million electricity meters, so this represents a market penetration of less than 1%. Other markets are estimated at the following - NZ 1.4 million meters, the UK 46 million and the USA approximately 150 million meters.

BID is also exploring opportunities to enter new markets in Asia commencing with Japan, Malaysia and Singapore in the next three to six months. BID estimates the addressable market for these initial launch markets to be over 300 million meters (not including gas or water).

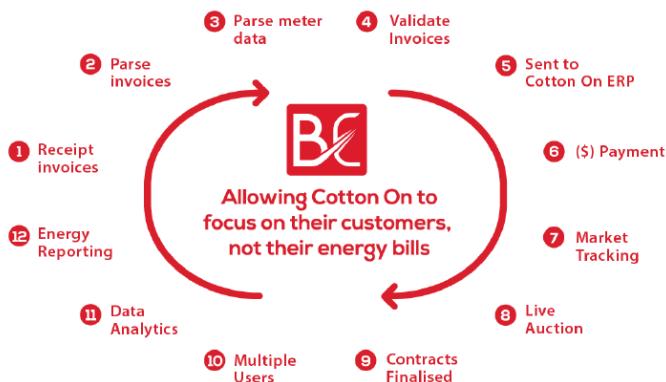
BID - Initial Target Markets	Enterprise Customers at 31/3/19	BID Meters under Mgt	Market No. of Elec Meters (m)	BID Penetration	Status
Australia & NZ	75	30,500	12.9	0.236%	Launched FY13; KPMG channel partner Nov 16; Cushman & W Dec 18
UK	6	5,000	46.3	0.011%	1st client BP live Jan 18; 4C Associates channel deal Mar 17
USA	6	4,000	150.0	0.003%	1st broker client GEE May 17; 1st cross-sell to an RWW cust Nov 18 (JoAnn)
Eliminations	-6				
<b>Current (Mar 2019)</b>	<b>81</b>	<b>39,500</b>	<b>209.2</b>	<b>0.019%</b>	
<b>Proposed new markets:</b>					
Japan	0	-	80.0		Considering a launch in next 3-6 mths (per 30/1/19 quarterly)
Malaysia	0	-	9.7		Considering a launch in next 3-6 mths (per 30/1/19 quarterly)
Singapore	0	-	2.3		Considering a launch in next 3-6 mths (per 30/1/19 quarterly)
<b>Total</b>	<b>81</b>	<b>39,500</b>	<b>301.2</b>	<b>0.013%</b>	

Source: Company data; Phillip Capital estimates

Revenue per meter managed appears to be around A\$120 per annum (\$10 per month). The addressable market of 300 million meters at the Australian revenue rate implies a breath-taking A\$36 billion market opportunity for these markets alone. BID appears to be the first mover.

An example of the BID system for one of BID's earliest customers, clothing retailer Cotton On was provided in BID's IPO presentation (16/5/16). BID was processing electricity bills for 447 sites at the time. Cotton On had at the time approximately 1,200 stores in 12 countries (now 1,400 in 18 countries). BID is now processing a further >99 sites for Cotton On in the USA.

### BidEnergy solves the problem for Cotton On



### RWW Division, USA

BID also owns Real Win Win (RWW), a government rebate capture business based in Philadelphia, Pennsylvania that manages the process of claiming rebates from Energy retailers for the adoption of energy efficient products including LED lighting change-outs, on a fee for service basis (most US states have these schemes). RWW has approximately 50 current and 50 past large enterprise customers (many are Fortune 500 companies) and in March 2017 won a new 2+2 year contract for a large "Fortune 50" US national retailer with >2,000 sites. The business was founded in approximately 2002.

BID is beginning its plan to cross sell the BID ESM platform to these existing and past RWW customers (first cross sell achieved with JoAnn Stores in November 2018).

### Group Locations

BID has offices in Melbourne, London and Philadelphia and employs approximately 48 people:

- Australia 34 staff
- UK 2 (going to 5)
- USA 12
- Worldwide 48

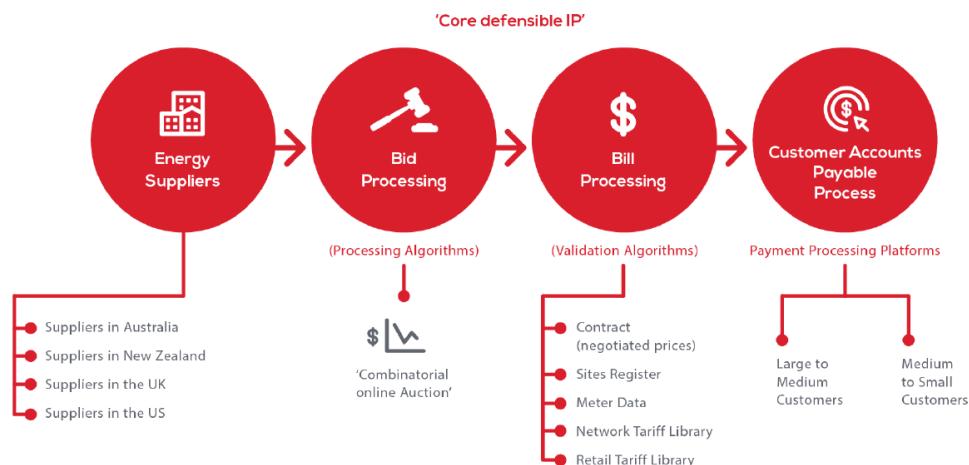
BID is currently loss-making and cash flow negative, but is growing rapidly. It is consistently signing new enterprise customers every quarter (6 in Australia last quarter), is expanding its product portfolio and geographic coverage with the UK and USA still in early launch phase. We think that profitability and positive cash flows are in clear sight.

## Core IP and Competitive Advantage

BID management believes the company has unique and defensible IP in a number of areas:

- BID's RPA platform (robotic process automation) is retailer-agnostic, and is focussed through automation on providing the best energy rates for customers; checks that bills are always correct; and provides constant tariff bench-marking and validation; and a range of other value-added diagnostic services and usage analytics. It is a very sophisticated platform.
- Proprietary electricity bid algorithms – BID runs direct electronic auctions with energy retailers on behalf of its customers and does not receive commissions. These enable multiple packaging options to be identified and evaluated in real time, so that multi-site customers can find the optimal mix of suppliers and pricing structures. This out-performs traditional tendering and standard auction approaches. The service is open to all suppliers (currently 26 different electricity providers in Australia which is a de-regulated market) so that price discovery is based on the widest possible view of the supply market at any point in time.
- Proprietary Bill processing algorithms - including validating back to electronic meter data where available (from smart meters), comparison to prior billing history for each site, and comparison to similar sites. Up to 43 different data fields on each bill are reviewed, and bills are also checked against hundreds of stored wholesale and retail electricity tariffs and discount rates.
- Accumulation of valuable historical data (right down to individual PDF bills for each meter), and comprehensive analytics which greatly assists clients to understand and better manage their electricity bills and other utility costs. BID customers will be very well prepared and armed with the necessary data when they next go to tender their electricity and gas requirements.
- Automation – BID's robotic process automation (RPA) can process, validate and pay thousands of bills in minutes, proving increased accuracy, thoroughness and time saving for customers' accounting and finance staff, and more timely payment of bills.
- Scalable SaaS (software as a service) business model with data and analytics accessible anytime, anywhere via the cloud.
- BID management believe there is currently no other established "Source to Pay" (ie meter source, checking and validation, spend management analytics, through to final payment) software as a service system to compete. BID has the "first mover" advantage and is now able to serve customers with operations in Australia, New Zealand, UK and the USA. This multi-country capability is building a further barrier to entry and / or advantage over possible competitors.

### Integrated Source-to-Pay Platform



## Company History

The business was founded in 2012-13 by five partners including Anthony Du Preez (now Chief Technology Officer), Stuart Allinson (CEO at the IPO) and three others. There were approximately 27 customers at the June/ July 2016 IPO with around 5,000 sites / meters. Three years later, there are now 91 enterprise customer accounts with 38,000 meters under management in four countries. BID is scaling rapidly in four countries.

**BID first listed on 20 July 2016**, via a back-door listing into the shell of Cove Resources Limited (CVE). The prospectus issue raised \$7.0m at \$0.10 per share (\$0.68 per share post the 1 for 6.8 share consolidation on 29/11/18).

In November 2016, BID acquired **RealWinWin (RWW)**, a leading independent energy rebate capture specialist in the USA. RWW has over 100 client accounts including national retail chains and Fortune 500 companies. The business is regarded as highly complementary to the BID platform business. RWW customers collectively operate from over 100,000 locations which provides an ideal opportunity to cross sell BID's energy procurement and bill payment processing services. Consideration was A\$1.5m comprising cash \$424k, \$608k in BID shares at 7.0 cents (47.6 cents post consolidation), \$270k in options (at 7.0 cents) and \$158k contingent consideration. In its first full year, RWW had revenue of A\$2.1m and Ebitda of \$0.3m. The purchase price equated to 0.7x revenue and 5.0x FY18 Ebitda, so it looks to be an attractive acquisition.

BID raised a further \$6.7m in July 2017 in a 1 for 1 non-renounceable issue at 2.0 cents per share (13.6 cents post consolidation) to fund business development, product / software development and working capital. The issue was fully underwritten. Acceptances were only 40.7% so 59% went to the underwriters. Regal Funds became substantial with 7.30% (49.0m shares) and James Baillieu became substantial with 8.53% (57.209m shares) both acquiring most of those positions in the sub-underwriting at 2.0 cents.

BID also announced at the same time the proposed acquisition of the "Axis" utility bill management business and a proposed 3 year strategic alliance with US-listed energy management services company **Ameresco Inc (NYSE: AMRC)**, market cap now US\$754m). Consideration for the assets to be acquired was US\$20k. Expected revenue A\$2.7m (US\$2.0m) from 50 US customers, 20,000 sites and 55,000 bills per month. In addition, Ameresco was to licence the BidEnergy platform for use in USA and UK procurement for US\$120k per annum commencing in CY18. Once closed, the Axis transaction would accelerate BID's entry to the US market and immediately provide a) expertise to process bill formats for 8,000+ utilities, b) provide key Utility and banking relationships with verified electronic linkages, and c) ~50 clients with a national footprint and strong references.

The raising was not conditional on this acquisition proceeding. The acquisition was conditional on completion of due diligence. The related exclusivity period was delayed/ extended several times and eventually cancelled on 30/11/17 due to "unforeseen banking challenges", with BID required to pay US\$273k in break fees.

### Management History

We delve into this because we think it is over-hanging the share price currently.

At IPO in June 2016 the Managing Director was Stuart Allinson with Anthony Du Preez the other co-founder an executive director and Robert Browning as non-executive Chairman.

On 28/7/16 Leanne Graham was appointed non-executive director expanding the Board to four. 1/5/17 US CEO Phil Adams was promoted to Managing Director, replacing Stuart Allinson who would focus on developing channel partnerships and would remain on the Board. Anthony Du Preez would resign from the Board and leave the business.

On 1/6/17 James Baillieu was appointed a non-executive director. Mr Baillieu was previously a consultant and Senior VP Business Development at Aconex (ACX) and an early investor in ACX. Previously he had 7 years of experience at McKinsey & Co; and was a commercial lawyer at Mallesons.

On 20/11/17 it was announced that the Axis / Ameresco acquisition was uncertain, and a number of management changes were also announced.

BID's Chairman Robert Browning retired from the Board on 20/11/17 and was replaced by James Baillieu. BID's US-based CEO Phil Adams also resigned from the Board. He was replaced by co-founder Anthony Du Preeze re-joining the board and to become CEO for an initial term of 6 months with the option to extend by mutual agreement. The other co-founder Stuart Allinson also resigned from the Board but would remain with the company in an executive capacity.

On 17/1/18 Guy Maine was appointed Managing Director (previously 7 years at SingTel Optus, Director of Sales at Virgin Mobile and Director of Sales at Foxtel). Anthony Du Preeze stepped down from MD to be Chief Technology Officer and an executive director on the Board.

On 17/7/18 Andrew Dyer was appointed a non-executive director (ex IBM, SMS, Indus International and Florida Light & Power).

On 13/2/19 Anthony Du Preez resigned from the Board to focus on strategic growth opportunities with BID in the UK and US markets in an executive capacity.

On 21/2/19 Andrew Dyer replaced James Baillieu as Chairman.

On 22/2/19 James Baillieu resigned from the Board.

On 28/2/19 James Baillieu ceased to be a substantial shareholder, selling 9.8m shares for a total of \$8.95m (\$0.91 average). (Previously held 9.8m shares or 8.9% and 294,118 "K class" options).

We note that Anthony Du Preeze and Stuart Allinson family interests continue to maintain significant shareholdings in the company.

## Phillip Capital Forecasts

- FY19 is off to a strong start, with 1H revenue up 24% (platform subscription revenue +55%, and RealWinWin (RWW) revenue up 4%). 9-mth YTD revenue was \$4.0m up 31% on the pcp.
- We are forecasting 34% revenue growth in FY19, 78% growth in FY20 due to strong organic growth and in particular, two major new customer contracts commencing (Cushman & Wakefield in Australia, and a large national retail client at RWW in the US). Then 80% growth in FY21 on continued growth in customer numbers and meters under management.
- We are forecasting an Ebitda loss of \$4.5m in FY19 and a loss of \$1.5m in FY20. BID's guidance is for positive cash flow by Q4 Calendar 2019. We then forecast strong profits and cash generation for FY21, FY22 and FY23.
- We have factored in a gradual ramp up of the new BidBilly consumer & SME product from FY20, for the Australian market only. Details on this new product are still limited, so our forecasts may need to be revised when the final launch plan, dates, pricing and the revenue split with the anticipated large Go-to-Market partner are known. We assume \$0.2m incremental costs from FY20.
- We have not factored in BidBilly being taken to other international markets at this stage.
- BID is evaluating a possible expansion to Asia commencing with Japan, Malaysia and Singapore in the next three to six months. We have not factored anything in for this at this stage. Again we will revise our estimates when further details are known. We would however regard this as upside, as the costs to launch the platform in new markets appears low, given it has already been launched in NZ, UK and USA. Further we expect BID would go into these new markets with a handful of existing customers such as BP, Cotton On or Toll Group, so there would be at least some revenue from day one.
- We assume 3.5m BIDO options (\$0.68; 30/6/19) are exercised before expiry raising \$2.4m in 2H19. \$1.0m of this was received in Q3.
- We assume a 20% tax charge commencing in FY23 (once establishment losses are recouped).

BidEnergy Limited (BID) - Worldwide Years ended June (A\$m)											
	FY17	1H18a	2H18a	FY18	1H19a	2H19e	FY19e	FY20e	FY21e	FY22e	FY23e
Platform subscription fees	1.3	0.9	1.0	1.9	1.4	1.6	2.9	6.3	12.7	20.5	28.5
RWW rebate revenue & other	1.4	1.4	0.8	2.2	1.4	1.1	2.5	3.2	3.9	4.7	5.6
<b>BidBilly</b>								0.2	0.9	1.8	3.7
<b>Total Revenue</b>	<b>2.6</b>	<b>2.2</b>	<b>1.8</b>	<b>4.1</b>	<b>2.8</b>	<b>2.7</b>	<b>5.4</b>	<b>9.7</b>	<b>17.4</b>	<b>27.0</b>	<b>37.9</b>
Revenue Growth				24%	46%	34%	78%	80%	55%	40%	
<b>Operating expenses</b>											
Third party support costs	-0.5	-0.3	-0.4	-0.7	-0.6	-0.6	-1.2	-1.3	-1.3	-1.4	-1.4
Admin expense	-1.1	-0.5	-0.4	-0.9	-0.7	-0.8	-1.4	-1.5	-1.6	-1.7	-1.7
Employee benefits expense	-6.2	-3.0	-2.5	-5.6	-3.0	-3.7	-6.7	-7.6	-8.5	-9.5	-10.5
Marketing expense	-0.6	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.3	-0.3	-0.4	-0.4
Travel expense	-0.4	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3
Occupancy expense	-0.3	-0.2	-0.1	-0.4	-0.2	-0.2	-0.4	-0.4	-0.4	-0.5	-0.5
<b>Total operating expenses</b>	<b>-9.0</b>	<b>-4.4</b>	<b>-3.6</b>	<b>-8.0</b>	<b>-4.6</b>	<b>-5.5</b>	<b>-10.0</b>	<b>-11.3</b>	<b>-12.4</b>	<b>-13.6</b>	<b>-14.8</b>
<b>Underlying Ebitda</b>	<b>-6.4</b>	<b>-2.1</b>	<b>-1.8</b>	<b>-3.9</b>	<b>-1.8</b>	<b>-2.8</b>	<b>-4.6</b>	<b>-1.6</b>	<b>5.0</b>	<b>13.4</b>	<b>23.0</b>
Ebitda Margin	-244%	-0.9	-1.0	-95.9%	-64.6%		-84.7%	-16.4%	28.8%	49.7%	60.8%
Government grant income	0.3	0.1	0.2	0.3	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Capitalised labor (software)	0.9	0.5	0.4	0.9	0.5	0.5	1.0	1.0	1.0	1.0	1.0
Share based payments	-0.4	0.0	-0.3	-0.3	-0.9	-0.1	-1.0	-1.0	-1.0	-1.0	-1.0
FX gains (losses)	-0.1	-0.1	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reported Ebitda</b>	<b>-5.7</b>	<b>-1.6</b>	<b>-1.1</b>	<b>-2.8</b>	<b>-2.1</b>	<b>-2.4</b>	<b>-4.5</b>	<b>-1.5</b>	<b>5.1</b>	<b>13.5</b>	<b>23.1</b>
Depreciation & amortisation	-0.5	-0.3	-0.4	-0.7	-0.2	-0.2	-0.4	-0.5	-0.6	-0.7	-0.8
<b>EBIT</b>	<b>-6.2</b>	<b>-1.9</b>	<b>-1.6</b>	<b>-3.5</b>	<b>-2.3</b>	<b>-2.6</b>	<b>-4.9</b>	<b>-2.0</b>	<b>4.5</b>	<b>12.8</b>	<b>22.3</b>
Interest income (expense)	0.1	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
<b>Profit before tax</b>	<b>-6.1</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-3.4</b>	<b>-2.3</b>	<b>-2.5</b>	<b>-4.8</b>	<b>-1.9</b>	<b>4.6</b>	<b>12.9</b>	<b>22.4</b>
Tax credit (expense)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-4.5
<b>NPAT (reported ex NRIs)</b>	<b>-6.0</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-3.4</b>	<b>-2.3</b>	<b>-2.5</b>	<b>-4.8</b>	<b>-1.9</b>	<b>4.6</b>	<b>12.9</b>	<b>17.9</b>
Non-recurring items (NRIs):											
IPO costs	-1.2										
Ameresco transaction costs & break fee		-0.6	-0.1	-0.7							
Reorganisation costs		-0.5	0.0	-0.5							
<b>NPAT (Reported)</b>	<b>-7.2</b>	<b>-2.9</b>	<b>-1.6</b>	<b>-4.5</b>	<b>-2.3</b>	<b>-2.5</b>	<b>-4.8</b>	<b>-1.9</b>	<b>4.6</b>	<b>12.9</b>	<b>17.9</b>
Add back: NRIs	1.2	1.0	0.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>NPAT (Normalised)</b>	<b>-6.0</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-3.4</b>	<b>-2.3</b>	<b>-2.5</b>	<b>-4.8</b>	<b>-1.9</b>	<b>4.6</b>	<b>12.9</b>	<b>17.9</b>
<b>EPS (Norm) cents</b>	<b>-12.4</b>			<b>-3.4</b>			<b>-4.4</b>	<b>-1.6</b>	<b>3.6</b>	<b>10.1</b>	<b>14.1</b>

Source: Company reports; Phillip Capital forecasts

### *Cost Assumptions*

- After a \$3.1m increase in costs in FY19e, we expect a more moderate \$1.1m to \$1.3m annual increase in the following years. This equates to cost growth of 9-13% pa. This is because the platform is largely built. The increase in operating expenses we think will be mostly in sales and marketing.
- With incremental revenues rising much faster than incremental costs after FY19, BID should become Ebitda positive in FY21 and strongly profitable thereafter.
- We have allowed for \$1.0m pa in share-based payments expense, as we regard this as a normal operating expense of high growth technology companies. Some investors may prefer to exclude these as non-cash items.
- We assume that \$1.0m pa of capitalised R&D continues. This will be amortised over 2-3 years commencing when the technology is activated or as the new products are released to the market. We allow for increased D&A expense in later years.

### *Incremental Margin Analysis*

We have analysed incremental revenues, incremental costs and incremental margins, to show that BID's profitability is expected to come through strongly in coming years as the establishment phase at end FY19 is largely complete.

We expect incremental Ebitda margins of around 70-90% making BID quite leveraged to increased sales volumes.

Years ended June (A\$m)	FY17	1H18a	2H18a	FY18	1H19a	2H19e	FY19e	FY20e	FY21e	FY22e	FY23e
<b>Revenue - Worldwide</b>	2.6	2.2	1.8	4.1	2.8	2.7	5.4	9.7	17.4	27.0	37.9
Revenue growth				55%			34%	78%	80%	55%	40%
<b>Incremental revenue</b>				1.4			1.4	4.3	7.7	9.6	10.9
Operating Costs	-9.0			-8.0			-10.0	-11.3	-12.4	-13.6	-14.8
Grants, capitalised Labour etc	0.7			1.1			0.1	0.1	0.1	0.1	0.1
<b>Net Operating Costs</b>	<b>-8.3</b>			<b>-6.8</b>			<b>-9.9</b>	<b>-11.2</b>	<b>-12.3</b>	<b>-13.5</b>	<b>-14.7</b>
Cost growth				-18%			45%	13%	10%	10%	9%
<b>Incremental costs</b>				1.5			-3.1	-1.3	-1.1	-1.2	-1.2
<b>Ebitda</b>	<b>-5.7</b>			<b>-2.8</b>			<b>-4.5</b>	<b>-1.5</b>	<b>5.1</b>	<b>13.5</b>	<b>23.1</b>
Ebitda Margin	-216%			-68%			-83%	-15%	29%	50%	61%
<b>Incremental Ebitda</b>				<b>2.9</b>			<b>-1.7</b>	<b>3.0</b>	<b>6.6</b>	<b>8.4</b>	<b>9.6</b>
Incremental Ebitda margin				201%			-127%	71%	85%	88%	89%

Source: Phillip Capital estimates

## Valuation & Recommendation

BID is currently incurring losses, but appears to have a clear line of sight towards profitability. We are forecasting a net loss of \$4.8m in FY19, net loss of \$1.9m in FY20, and net profits of \$4.6m in FY21, \$12.9m in FY22 and \$17.9m in FY23.

Because BID is not yet profitable or cash flow positive, we assign a high risk rating to the stock. However we believe the business risk in the company has been reduced by the significant increase in customer numbers (diversification of the customer base), the proof of concept in overseas markets with several quality customers such as BP, JoAnn Stores Inc and Toll Group and Cotton On taking the product in new regions (providing further geographical diversification). And the RWW business (established in approximately 2002) returning to profitability and winning some useful new contracts from quality large enterprise customers.

### DCF Valuation

Our DCF valuation is \$2.22 excluding BidBilly, or \$2.69 per share including \$0.47 for BidBilly SME/ franchisee / residential product to launch later this year (BidBilly for Australia only).

As discussed in this detailed report, BID management is building out its matrix of opportunities:

- Energy products offered: electricity, gas, water & soon council rates.
- Target sectors: Large multi-site enterprise customers (existing full service product suite);
- Still to come: New self-service product (BidBilly) for SME/ franchisee / residential sectors; New wholesale SaaS products for Utilities / Energy brokers.
- Geographies: Aust, NZ, UK & US all now have an established bases. TBA: Japan, Malaysia, Singapore and possibly Europe.

Because there is so much happening at BID, and so much opportunity (eg. recent new alliances in the UK and USA could scale up dramatically), but timing dependent on launch dates and customer take up rates, we have considerable difficulty setting a 12-mth share price target. To do so would not do justice to the opportunity set. Potential investors in BID need to allow more time for the business to mature.

We set a 24 month price target at \$2.20 with upside to \$2.70 if BidBilly succeeds in Australia.

### Comps

We show relevant sector comparisons below. BID looks expensive on short-term metrics, but we think the market cap of \$75m is low when compared to the global potential for the company over the next 2-5 years.

Reuters Code	Company	Market Cap \$m	Price A\$	Revenue		Ebitda Margin		Revenue Growth		EV / Sales		EV / Ebitda		P/E	
				\$m	\$m	FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2	FY1	FY2
BID.AX	BidEnergy Limited	74.9	0.680	5.4	9.7	-82.8%	-15.4%	33.6%	78.5%	13.2x	7.3x	-15.9x	-47.6x	-15.6x	-41.9x
<b>Comps</b>															
ada.ax	Adacel Technologies Ltd	53	0.70	53.5	56.1	13.2%	14.7%	0.5%	5.0%	0.9x	0.9x	7.1x	6.1x	10.7x	9.2x
apt.ax	Afterpay Touch Group Ltd	5,938	24.92	243.0	423.7	9.1%	17.0%	70.1%	74.4%	25.1x	14.4x	274.8x	84.5x	NaN	176.2x
alu.ax	Altium Ltd	4,435	34.06	174.8	216.0	37.5%	39.3%	24.5%	23.6%	17.6x	14.2x	46.9x	36.2x	58.1x	49.1x
apx.ax	Appen Ltd	3,042	25.21	496.9	609.3	17.2%	18.3%	36.4%	22.6%	6.2x	5.0x	36.0x	27.4x	55.1x	42.2x
bth.ax	Bigtincan Holdings Ltd	128	0.495	20.9	27.1	-19.9%	-3.1%	59.0%	29.7%	5.5x	4.3x	NaN	NaN	NaN	NaN
bvs.ax	Bravura Solutions Ltd	1,196	5.59	256.3	282.4	18.6%	19.9%	15.7%	10.2%	4.6x	4.2x	24.9x	21.1x	37.1x	31.2x
elo.ax	ELMO Software Ltd	128	5.54	42.7	56.8	-1.5%	4.7%	59.4%	33.0%	2.1x	1.6x	NaN	33.6x	NaN	NaN
eml.ax	EML Payments Ltd	488	1.955	93.0	104.1	29.8%	32.1%	31.0%	12.0%	4.7x	4.2x	15.9x	13.2x	31.0x	24.6x
evs.ax	Envirosuite Ltd	61	0.165	7.8	11.1	-47.9%	-21.3%	97.0%	42.7%	6.7x	4.7x	NaN	NaN	NaN	NaN
gbt.ax	GBST Holdings Ltd	171	2.53	92.7	99.2	15.6%	19.1%	5.1%	7.0%	1.7x	1.6x	11.2x	8.6x	19.0x	19.0x
gtk.ax	Gentrack Group Ltd	511	5.2	113.3	126.8	28.2%	29.0%	8.4%	11.9%	4.7x	4.2x	16.6x	14.4x	32.1x	27.0x
hsn.ax	Hansen Technologies Ltd	602	3.06	226.3	239.2	24.3%	25.1%	-2.0%	5.7%	2.7x	2.5x	11.0x	10.0x	17.9x	16.2x
ifm.ax	Informedia Ltd	530	1.7	83.1	93.4	43.2%	45.6%	14.0%	12.3%	6.3x	5.6x	14.6x	12.3x	33.5x	28.3x
iri.ax	Integrated Research Ltd	429	2.5	102.9	109.8	39.0%	40.1%	12.9%	6.7%	4.1x	3.8x	10.5x	9.5x	19.9x	18.6x
isx.ax	iSignthis Ltd	382	0.355	26.6	39.9	83.1%	87.2%	319.6%	50.0%	14.1x	9.4x	17.0x	10.8x	NaN	NaN
lvh.ax	LiveHire Ltd	145	0.49	2.9	7.4	-427.6%	-155.4%	37.0%	155.2%	42.0x	16.5x	NaN	NaN	NaN	NaN
lvtx.ax	Livetiles Ltd	371	0.57	17.9	45.2	-163.4%	-35.9%	215.4%	151.8%	19.5x	7.7x	NaN	NaN	NaN	NaN
mp1.ax	Megaport Ltd	739	5.62	34.5	53.4	-74.8%	-33.7%	74.7%	54.9%	20.4x	13.2x	NaN	NaN	NaN	NaN
mpw.ax	MSL Solutions Ltd	35	0.14	36.1	39.5	0.6%	8.9%	7.4%	9.4%	1.0x	0.9x	152.9x	9.9x	NaN	18.7x
pps.ax	Praemium Ltd	182	0.45	47.3	53.0	21.9%	24.5%	12.0%	12.2%	3.6x	3.2x	16.5x	13.2x	45.6x	26.7x
pph.ax	Pushpay Holdings Ltd	985	3.54	97.9	127.3	0.6%	10.3%	44.6%	30.0%	7.0x	5.4x	1188.4x	51.8x	440.5x	88.2x
sko.ax	Serkö Ltd	279	3.41	25.0	34.0	8.0%	17.6%	36.8%	36.0%	11.1x	8.1x	138.3x	46.1x	180.6x	60.2x
vlt.ax	Vault Intelligence Ltd	21	0.2	5.8	9.2	-31.0%	4.3%	89.9%	58.6%	2.8x	1.8x	NaN	41.2x	NaN	100.0x
vgl.ax	Vista Group International Ltd	792	4.83	159.5	198.7	23.3%	23.9%	22.1%	24.6%	5.2x	4.2x	22.4x	17.5x	39.3x	30.5x
wtc.ax	WiseTech Global Ltd	7,310	23.1	338.4	449.0	31.8%	32.5%	52.7%	32.7%	21.6x	16.3x	68.0x	50.2x	122.1x	89.0x
xro.ax	Xero Ltd	7,667	54.56	555.5	726.1	15.5%	20.6%	36.6%	30.7%	15.3x	11.7x	98.4x	56.7x	NaN	217.7x
<b>Average</b>						-11.8%	11.0%	53.1%	36.3%	9.9x	6.5x	114.3x	27.3x	76.2x	56.4x
<b>Median</b>						15.6%	18.7%	36.7%	29.8%	6.2x	4.9x	24.9x	21.1x	39.3x	31.2x

Source: Phillip Capital estimates for BID; Thomson Reuters consensus estimates for all other stocks; FY1 means forecast year 1; FY2 means forecast year 2

## Catalysts

- Quarterly cash flow and operations reports demonstrating continued growth in customer numbers, meters under management and revenues.
- Major new customer wins, especially Facilities Management companies or Energy Brokers (one sale to many underlying customers).
- New channel partnerships (eg the Correlate Inc deal for California and the west coast and Texas; Full energy procurement services launched with new partner Apollo Edison).
- New product launches including BidBilly expected in 2HCY2019, and announcement of go-to-market trusted consumer brand partner (BID has entered into an MOU).
- New country roll-outs (eg Japan, Malaysia, Singapore already flagged; Europe another possibility).
- Becoming cash flow positive (guidance if for this by Q4CY2019).
- Becoming NPAT positive (we expect in FY21).

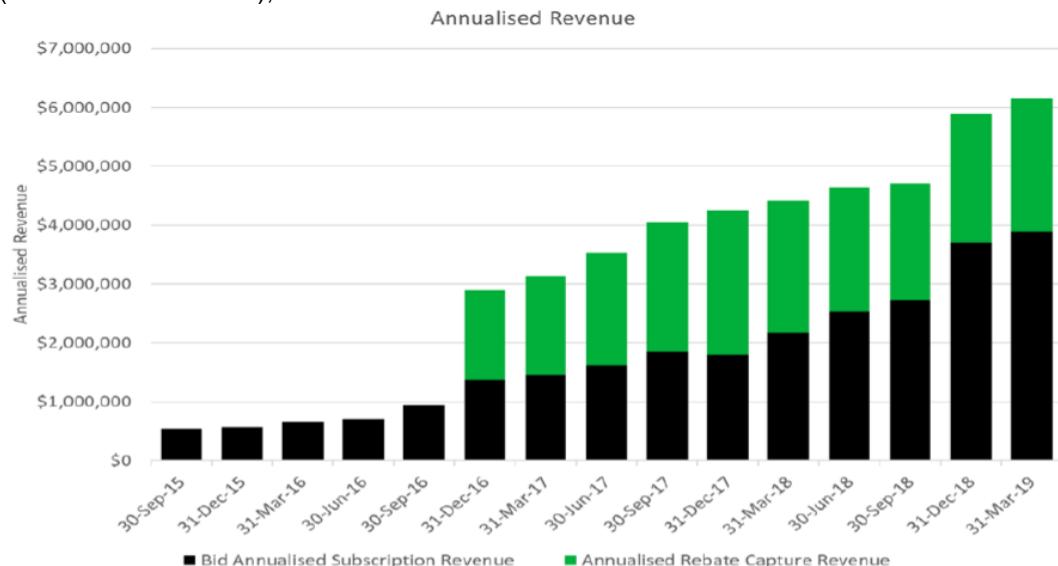
## Positive Factors / Reasons to Buy

**1. First mover advantage with Robotic Processing Automation (RPA) for energy spend management (ESM)** – Lots of acronyms, but BID appears to have a genuine first mover advantage and competitive advantage with its energy spend management platform, as evidenced by the signing of 81 unique enterprise customers to date, including prominent multi-site companies such as BP Australia, Optus and Flight Centre in Australia. We take further endorsement from clients renewing their Australian contracts and extending them into the UK (BP and Toll Group) and to the USA (Cotton On). We also heard favourable customer testimonials at BID's strategy day in February from users at Nando's, Toll Group and The Salvation Army. Benefits to customers include:

- Automated checking & validation of invoices for thousands of sites with artificial intelligence overlays (eg identifying billing errors and inconsistencies, faulty meters, incorrect rates, dates, discounts etc).
- Saves time and cost in the accounting department, freeing up staff to do more value added work.
- Accumulation of large amounts of historical data traceable down to individual PDF bills for each meter. Assists management of costs, allocation to cost centres, auditing, budgeting, and future procurement negotiations and decisions.
- Comprehensive reporting and analytics suite
- Data stored in the cloud, so available to users anytime, anywhere
- Live auction platform – BID does energy procurement for approximately 70% of its Australian customers.
- Scalable system, and also now available in UK and USA. Other markets to come.

**2. Business model now proven in 4 countries, and de-risked. Annualised revenue value now \$6.1m up +40% on March 18 pcp (\$4.4m). High growth phase now underway.** We believe the 6 year establishment / loss-making phase is now largely complete. Annualised revenue value was \$6.1m at end-March comprising \$3.88m for the BID platform business and \$2.26m for RWW.

The next 5 years promise strong growth in traditional markets (Australia & New Zealand) and especially in the newly established positions in the UK and USA where BID has already secured some major customers and proof of concept. BID now has a high profile, quality reference customer in the UK with BP covering 306 company owned sites, plus 5 other customers. In the USA BID now has a large diversified reference customer with Jo-Ann Stores (850 sites in 49 states), and 5 other customers.



**3. Cushman & Wakefield - Largest ever client win - BID to manage 10,500 utility accounts for 17 major Cushman clients. On-boarding now for contract commencement 1 July** – In December BID announced a new 5 year agreement with international property and Facilities Management company Cushman & Wakefield (NYSE: CWK, market cap US\$4.0bn) to manage energy, gas, water (and for one client council rates) for 16 major enterprise clients of Cushman. Commencing 1/7/19 BID will manage approximately 10,500 meters representing a 47% increase in the number of meters under management. We understand the Cushman client list includes a number of ASX Top 20, Top 50 and also government customers. Cushman

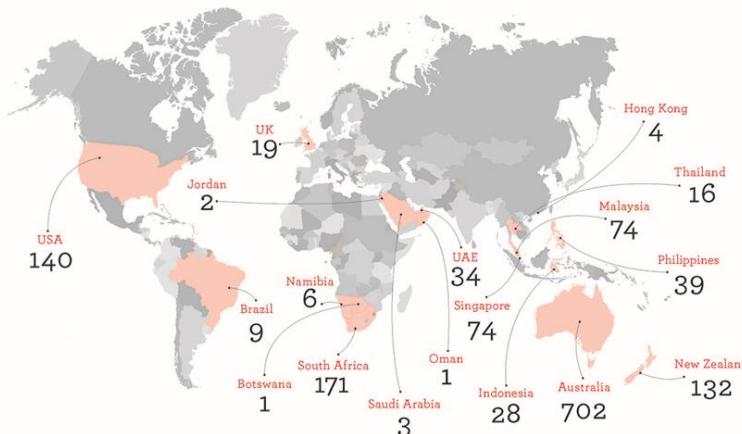
will become BID's largest single customer representing approximately 18% of annualised contracted revenue value (ACV), at an estimated \$600k revenue pa. We think this large contract marks an inflection point in BID's historical development, and will accelerate the path to EBITDA and NPAT profitability. In addition to being a major boost to revenue, the reputational benefit should also help BID win further customers, especially once proven in the next 6-12 months. We also consider a medium term opportunity to work for Cushman clients in the USA and Europe where FM contracts are much larger and more prevalent. Potentially BID could do similar deals with other major Facilities Management (FM) companies such as CBRE (NYSE: CBRE, market cap US\$17.5bn), Jones Lang LaSalle (NYSE: JLL, market cap US\$7.1bn) or Colliers (CIGI, market cap US\$2.6bn).

- 4. Significant cross selling opportunity available at RWW - The RealWinWin (RWW)** acquisition in November 2016 is now profitable in its own right, and is highly complementary, providing BID with potential access to over 100 current and previous large US enterprise clients of RWW collectively with over 100,000 potential sites. The RWW customer list is impressive and includes existing relationships with major FM companies - CBRE, Cushman & Wakefield and Jones Lang LaSalle.
- 5. Asian expansion** - BID is sufficiently confident that it is now exploring potential new country launches in Asia in the next 3 to 6 months. Japan is the biggest opportunity which BID estimates has 80 million electricity meters. We note that existing customer Toll Group re-signed in August 2018 and extended its agreement into NZ, UK and USA from September 2018. Toll was acquired by Japan Post Co in 2015 so there is clear potential there.

BID - Initial Target Markets	Enterprise Customers at 31/3/19	BID Meters under Mgt	Market No. of Elec Meters (m)	BID Penetration	Status
Australia & NZ	75	30,500	12.9	0.236%	Launched FY13; KPMG channel partner Nov 16; Cushman & W Dec 18
UK	6	5,000	46.3	0.011%	1st client BP live Jan 18; 4C Associates channel deal Mar 17
USA	6	4,000	150.0	0.003%	1st broker client GEE May 17; 1st cross-sell to an RWW cust Nov 18 (JoAnn)
Eliminations	-6				
<b>Current (Mar 2019)</b>	<b>81</b>	<b>39,500</b>	<b>209.2</b>	<b>0.019%</b>	
<b>Proposed new markets:</b>					
Japan	0	-	80.0		Considering a launch in next 3-6 mths (per 30/1/19 quarterly)
Malaysia	0	-	9.7		Considering a launch in next 3-6 mths (per 30/1/19 quarterly)
Singapore	0	-	2.3		Considering a launch in next 3-6 mths (per 30/1/19 quarterly)
<b>Total</b>	<b>81</b>	<b>39,500</b>	<b>301.2</b>	<b>0.013%</b>	

Source: Company data; Phillip Capital estimates

**6. Global Opportunity - Existing clients can take BID worldwide –** In addition to the Asian expansion now being planned, there is general potential for many of BID's existing customers to take BID worldwide. BP has 18,700 retail sites in 78 countries including 4,000 in the USA. Cotton On has ~1,400 stores in 18 countries (see diagram below). Toll Group is now owned by Japan Post. Nando's has over 1,000 stores in 35 countries. Cushman & Wakefield operates globally.



7 brands, 18 countries, 1,400+ stores. And counting.

Source: [www.cottonongroup.com.au](http://www.cottonongroup.com.au)

## 7. Australian sectors – Many areas still largely untapped

We asked BID whether it had any existing customers in various industry sectors below. For most sectors, the answer was nil. In time, we believe many of these sectors could be fairly easily penetrated by approaching the leading companies or industry bodies. The main point is that BID's market penetration in Australia is still tiny, with plenty of upside.

Mult-site Industries Est no. of Australian sites	Market Opportunity	BID Penetration
Major Banks	3,900	Some
Supermarkets & Grocery	1,966	Nil
Newspagents	4,470	Nil
Pharmacies	3,892	Nil
Betting shops	9,000	Nil
Pubs & clubs	6,500	2 small clients only
Schools	9,400	Nil
Libraries	5,400	Nil
Railway stations	7,800	Some
Dentist businesses	15,600	Nil

Source: Annual reports, Google, IBIS World

**8. Expansion into Gas, Water and Council rates = 4 products** - The vast majority of BID's platform revenues and meters under management are from the Electricity segment. This is because Australia has a very competitive retail electricity market, currently with 26 providers (not in all areas), and in recent years there has been very high increases in electricity costs prompting a lot of customers (both corporates and consumers) to shop around for a better deal and potentially switch providers. The natural gas market is also competitive with multiple providers, but the number of metered customers is believed to be significantly lower than the number of electricity meters, as not every business uses gas. In late 2018 BID also commenced doing water meters, so this represents a new growth area. BID says there are no reliable estimates of the number of water meters, but thinks it could be similar to electricity. A number of BID's customers are extending their contracts to include gas and water. BID charges extra for these platform modules and associated services. One of the Cushman & Wakefield customers also requires Council rates notices to be checked and analysed robotically, so this is a fourth product now being offered.

**9. "BidBilly – exciting new SME / Consumer product tested successfully and preparing to launch later this year** – BidBilly was tested late last year with members of the South Australian Tourism Industry Council (SATIC) with apparently positive results. BID is currently negotiating and planning a formal **launch later this year with a major trusted consumer brand**. Versions of this will be products specifically aimed at SME's, franchisees and residential consumers. To date BID has focussed on large multi-site enterprise customers. We have analysed and modelled different scenarios for the revenue potential of this product just for Australia. We think BidBilly (or whatever name BID and its launch partner give to the service) will be a popular product, with several benefits over current comparison websites with hidden commissions. BidBilly will be truly independent and transparent, and involve no commissions from the energy providers. Our base case is **142,000 households or SMEs** will pay a once only switching fee/ subscription to move to a better provider based on BidBilly's analysis and suggestions. Once established by Year 3 (FY23), we think this product could generate **\$3.7m in annual high margin revenues to BID, representing 10% of group revenue**. If moderately successful here, **BidBilly should have significant potential in other geographic markets**.

**10. New wholesale SaaS products targeting Utilities and Energy Brokers** - BID has noted "significant traction" and "numerous discussions ...in three continents" for BID to provide bill validation and management services (including automation) to Utility companies and brokers as a new wholesale product(s). BID appears to be making considerable progress already with new alliances signed with Correlate Inc and Apollo Edison in the USA, and the UK TPI channel (third party independent energy brokers) looks set to escalate in coming months based on strong company feedback and commentary.

**11. Global smart meter roll-outs** – According to the UK Smart Energy website, the USA, Canada, Italy, Australia, and New Zealand are among the countries already benefitting from smart meters, and most other EU countries are currently rolling them out. BID's platform works with traditional "dumb" meters, but delivers its full potential when smart meters are available. The UK is part way through a GBP 11 billion roll-out of an expected 53 million smart meters to be fitted in over 30m premises by end 2020. This is one of the biggest national infrastructure projects in UK history and will enable a more energy efficient system for the UK. The objectives are:

- UK can better match supply and demand
- UK can be more efficient, greener and waste less energy
- Help energy to be more secure and reliable
- unexpected power outages can be tackled faster
- UK can plan for the number of power stations that will be needed in future with greater accuracy
- the smart meter grid will be much better at integrating green technologies from electric cars to home rooftop solar panels and heat pumps
- smart meters should open the door to flexible pricing, that means customers can use solar and wind energy when it is plentiful.

**12. Attractive business model – Operating leverage, low capex, low start-up costs - There is a lot to like:**

- Low value, high volume, contracted (2-3 year contracts), subscription-based revenues.
- Diversified and high quality enterprise customer base.
- Customers are requesting BID to move into new territories with them.
- Low customer churn (< 5% pa) / high customer retention and renewal rates. High net promoter scores.
- Low capex & low start-up costs for new markets.
- High margins – we forecast Ebitda margins to rise from the current negative figure, to around 28% in FY21 and 50% in FY22 and 61% in FY23. Establishment costs in new markets might bring this back somewhat, but the direction is clear.
- Highly scalable at low incremental costs. The marginal cost of adding a new customer is close to nil.
- Operating leverage now coming through (1H19 revenue up 24%, operating costs up 5%).
- Product is already operating successfully in 4 countries, and appears to have global potential.

**13. Consistent director buying** - Since the Annual Report was released on 30 August 2018, the Chairman has bought a total of 86,000 shares, the CEO 64,000 and the non-exec director 22,000. Not huge, but encouraging none-the-less.

## Risks & Negative Factors

1. **Revenue still small** – BID's latest Q3 quarterly report stated that annualised contracted revenue was \$6.1m comprising \$3.9m in subscriptions in the energy spend management (ESM) platform business, and \$2.2m in the RealWinWin US rebate capture business. This is pretty low compared to the current market cap of ~\$75m, so quite a lot of expected growth is already priced into the share price. However, BID now has 100 country based customer contracts (81 unique customers) for the platform business, and RWW also has 100 high quality current and historical customers, so there is now an excellent base for growth.
2. **Quarterly revenue, costs and customer announcements** - can also be a little lumpy and volatile. The stock appears to have been sold off in recent days and yesterday possibly because the March quarterly report had underlying group revenue of \$1.2m up 50% on the pcp (\$0.8m), but down -20% on the December quarter (\$1.5m). This was primarily due to the March quarter being the seasonally low quarter for RWW, and the timing of new customers commencing to generate revenue (eg Cushman & Wakefield revenue commences 1/7/19 but work is already underway on-boarding the 10,500 meter sites). RWW rebate capture revenue was \$0.4m up 33% on the pcp (\$0.3m), but down 50% on the Dec quarter (\$0.8m). We prefer to focus on the 9-month YTD figures which showed group revenue of \$4.0m (Vs \$3.0m) up 31% on the pcp. We think this weakness provides a buying opportunity as we expect the next several quarters to be considerably stronger.
3. **RealWinWin (RWW) revenue growth modest in 1H19 at +4% in A\$ terms, flat in USD terms** – However we note that RWW recently won a new 2+1+1 year contract with a major national retailer in the US, which is expected to add US\$350k pa to annual revenues once fully operational. This business had US\$1.6m of revenue in FY18 so this is a material 22% increase on FY18. And yesterday BID announced that RWW had won 4 new quality enterprise customers including O'Reilly Auto Parts (Nasdaq: ORLY, market cap US\$29.0bn; 5,200 stores in 47 states), Ulta Beauty (Nasdaq ULTA, market cap US\$20.6bn, 1174 stores across 50 states), CarMax Inc (NYSE: KMX, market cap US\$12.9bn, 195 locations) and Sonesta International Hotels (70 properties in 8 countries). We do not know the size of the initial RWW work for these companies and we surmise it is small as no separate ASX announcement was warranted. But these appear to be good calibre customers, and more importantly, excellent prospects for cross selling the BID platform.
4. **Customer concentration risk** – Not previously an issue, but the new 5 year Cushman & Wakefield contract is expected to account for 18% of annualised contracted revenues. Given the calibre of this global client, and the fact that there are 16 major "tier 1" underlying clients, we think this is a nice problem to have. Further customer wins in Australia and overseas should gradually reduce this key customer risk.
5. **Barriers to Entry** – On the surface the barriers to entry for the BID platform business would appear fairly low. However the level of sophistication in the model, as evidenced by 70% of the Australian customer base opting to utilise the procurement module, and the ability for the platform to be adapted for multiple applications (full service model for large multi-site enterprises; self-service model for SMEs, franchisees and residential; and new SaaS products aimed at Utilities and Energy brokers) mean that BID is quietly building its own moat in this very specialised area. Combined with an apparent first mover advantage, we think the barriers to entry are actually reasonably high, and rising.
6. **New BidBilly consumer & SME product has strong existing competition from comparison services** and on-line websites such as iSelect.com.au, Comparethemarket.com.au, Electricityandgas.com.au, SumoBilly.com.au and probably others. There is also competition from energy providers themselves, especially the challenger brands such as Lumo, Dodo and ERM Power. However, in our opinion, none of these businesses are truly independent, and none have the ability to be continuously watching the market for better offers for the benefit of the customer (the "concierge" feature). The comparison websites have embedded commissions and do not necessarily access all available providers. We think that BidBilly should have a strong and unique competitive advantage, if it can get its message across effectively to consumers and SMEs.
7. **RWW business is probably limited to just the US** – This business appears to have been reinvigorated and is now performing well. But we think the LED lighting conversion phase has probably already peaked, so RWW needs an on-going supply of other energy rebate programs to be self-sustaining.
8. **\$3.9m Cash** – BID had negative operating cash flow of -\$3.2m in FY18 and -\$1.0m in 1H19 and -\$1.3m in 3Q19, so the current cash balance is a little tight. However, we expect a further \$1.4m cash to come in from the BIDO options (exercise price \$0.68, exercise date 30/6/19). We expect BID to become cash flow positive in FY20, and then strongly cash flow positive thereafter. So we think BID can avoid further capital raisings, unless another complementary acquisition opportunity like RWW arises.

## Business Review - Australia and New Zealand

BID estimates that there are approximately 11.5 million meters in Australia and we estimate a further 2.1 million in NZ. (There is no reliable source of information on the number of electricity meters in Australia).

Since inception in FY13 to now, BID has aimed its service at the enterprise market, particularly organisations with large numbers of operational sites which would benefit most from BID's energy spend management solution (ESM) and automation. Excluding the household / domestic market and sole traders, we estimate the enterprise market to be around 1.4 million meters for Australia and NZ combined.

BID currently has about 33,000 meters under management in Australia & NZ, which represents a market penetration of just 0.2% of all meters, or 2.4% of the enterprise market.

BidEnergy - Australia & NZ - Market Composition Years ended June	Australia	NZ	Combined
Sole proprietors (assume 1 meter per business) (m)	0.6	0.4	1.0
Enterprise meters (Balancing item) (m)	1.2	0.2	1.4
Household meters (assume 1 meter per household) (m)	9.7	1.5	11.2
<b>Electricity meters (m)</b>	<b>11.5</b>	<b>2.1</b>	<b>13.6</b>
BID meters under management			33,000
<b>BID - estimated market penetration</b>			<b>0.2%</b>
<b>BID - estimated penetration of Enterprise market</b>			<b>2.4%</b>
No. of electricity providers	26	45	71
	(3 main retailers)	(5 main retailers)	
Population (m)	25.3	4.8	30.1

Source: BID and Phillip Capital estimates

In researching this report, we were interested to note that electricity generation in Australia in FY17 was mainly from coal (76%), with gas (7%), hydro (10%), wind (6%) and solar (3%) for a renewables total of 19%.

Generation in NZ in 2014 was mainly from hydro-electric (57%) with gas (16%), geothermal (16%), wind (5%), coal (4%) and other renewable (1%) for a renewables total of 79%.

### Aust & NZ Customers

In just 5 years from inception, BID has contracted an impressive collection and variety of enterprise customers. We have grouped these by ASX sector plus Government and NFPs.

BidEnergy (BID) - Named Clients - Australia (NB some clients not named)			
<b>Communication Services</b>	<b>IVE Group (IGL)</b> Optus	<b>REA Group (REA)</b> QMS Media	<b>TPG Telecommunications (TPM)</b>
<b>Consumer Discretionary</b>	Australian Venue Co Belgrave Leisure Bras N things Chemist Warehouse Consortium Clemenger Cotton On <b>Flight Centre (FLT)</b> FunLab	Goodyear GPC Asia Pacific Greencross (Petbarn) Grill'd Hurley Hotel Group <b>Invacare (IVC)</b> LatitudeAir (trampoline park) Luxottica	Nando's Peter Stevens Motor Cycles Repcos RSEA Safety Sanity Specsavers (initial 25 sites) <b>The Reject Shop (TRS)</b>
<b>Consumer Staples</b>	Australian Country Choice	Greensill Farming Group (Qld)	Landmark
<b>Energy</b>	BP Aust & NZ	Puma Energy	
<b>Financials</b>	Australian Regional Bank Findex	NRMA Insurance	UBS
<b>Health Care</b>	Genesis Care Link Health & Community	<b>Pacific Smiles PSQ</b> Radiology SA	<b>Regis Aged Care (REG)</b>
<b>Industrials</b>	Ausco Modular Broadspectrum Citwide Fulton Hogan	GE Holcim ISS Facility Services Aust Pacific National <b>Qube Holdings (QUB)</b>	Rentokill The Smart Group Toll Group Particle board manufacturer (50 sites) <b>KPMG Aust (channel partner)</b>
<b>Information Technology</b>	Nil named (NB REA Group is in the Communications sector)		
<b>Materials</b>	<b>Fletcher Building (FBU)</b>		
<b>Real Estate</b>	<b>Cushman &amp; Wakefield (17 indirect customers)</b>		
<b>Utilities</b>	Jemena	Unity Water	Yarra Valley Water
<b>Government</b>	ABC Banyule Council (Vic)	Property NSW	VicTrack
<b>Not for Profit</b>	The Salvation Army	YMCA (Vic)	YMCA (SA)

Source: BID investor briefing 4/2/19. Updated by March App 4C. ASX listed customers highlighted in bold.

### *Channel Partnerships*

Most of BID's Aust & NZ customers have been acquired directly by its historical sales force of 2-3 people plus the CEO and senior executives. We have highlighted in yellow two interesting channel partnerships that could be extremely important to BID's growth.

#### *KPMG Australia*

In November 2016 BID announced an alliance agreement with KPMG Australia to jointly pursue opportunities to deploy the BID system to KPMG's Australian client base. We understand that two new customers including Nandos and The Salvation Army were introduced by KPMG. With cost savings very clear, we expect this channel to accelerate. BID pays KPMG a modest trail commission for 3 years including an element based on customer retention.

We speculate that BID may look to sign a similar arrangement in the UK and USA with KPMG, or other major advisory firms (accountants, management consultants, procurement specialists etc) as it becomes more established overseas.

#### *Cushman & Wakefield - Australia*

In December 2018 BID announced a new 5-year agreement with international property and facilities management group, Cushman & Wakefield plc (NYSE: CWK; Market cap US\$4.0bn) to manage energy, gas, and water bills for 16 (now 17) major clients of Cushman, commencing 1 July 2019. One client has requested that BID also process its council rates notices, which BID has agreed to do, adding a potential new service offering as well as electricity, water and gas.

This contract would add approximately 10,500 meters representing a 50% increase to BID's previous number of meters under management. We understand the client list includes a number of ASX Top 20, Top 50 and also government customers though the client names remain confidential. Cushman will become BID's largest client accounting for approximately 18% of annualised contracted revenue value (ACV).

**Cushman & Wakefield plc**, formerly Cushman & Wakefield Limited, is a commercial real estate service provider. The Company's service line includes property, facilities and project management; leasing; capital markets and valuation. The Company operates through three segments: Americas; Europe, the Middle East and Africa (EMEA), and Asia Pacific (APAC). The Americas consists of operations located in the United States, Canada and Latin America. EMEA includes operations in the United Kingdom, France, Netherlands and other markets in Europe and the Middle East. APAC includes operations in Australia, Singapore, China and other markets in the Asia Pacific region.

Source: Thomson Reuters

In time we see potential for BID to service Cushman's clients in the USA and UK once BID is better established in those markets. Cushman & Wakefield has 250 offices in 60 countries worldwide.

Alternatively, there may be potential for new alliances with other Facilities Management (FM) providers such as the following:

Facilities Management Companies		Currency	Market Cap \$bn
Code	Name		
CBRE.N	CBRE Group Inc	USD	17.5
JLL.N	Jones Lang LaSalle Inc	USD	7.1
<b>CWK</b>	<b>Cushman &amp; Wakefield PLC</b>	USD	4.0
CIGI.OQ	Colliers International Group Inc	USD	2.6
SPO.AX	Spotless Group Holdings Ltd	AUD	1.9

Source: Thomson Reuters

## Assumptions and Forecasts – Australia & NZ

We show below our forecasts and key assumptions for A & NZ.

- Direct Customers – We assume that BID signs a further 20 customers in 2H19 to make +47 for FY19. Six new clients were signed in Jan / Feb: Banyule Council Melbourne (500 meters/ accounts), ISS, Pacific Smiles, Pacific National, Hurley Hotel group and a large Australian global packaging company. With extra sales staff being recruited and sales accelerating, we forecast 50 new customers in each of the next four years. We model these new accounts to have an average of 250 meters each.
- Indirect Customers – BID counts Cushman & Wakefield as 1 client, rather than the 17 indirect clients for whom BID will be managing 10,500 meters from 1/7/19 (clients are being on-boarded now). This is an average of 618 meters for each of the 17 clients. We assume that BID signs 1 further channel partnership each year bringing in 14, 20, 25 & 25 indirect clients with an average of 500 meters per client.
- Pricing – We assume an average annual price of \$108 for direct customers (\$9 per month per meter) and \$72 pa for indirect customers (\$6 per month per meter). The blended average will see Revenue per average meter gradually fall from \$102 in FY18 to \$93 in FY23. We want to be conservative with our assumptions.

BidEnergy - Aust & NZ Forecasts											
Years ended June (\$m)	FY17	1H18a	2H18a	FY18	1H19a	2H19e	FY19e	FY20e	FY21e	FY22e	FY23e
<b>Key assumptions:</b>											
Enterprise Customers - Direct (per quarterlies)	41			53	80		100	150	200	250	300
Enterprise Customers - via Channel Partners	0			0	16		16	30	50	75	100
Eliminations	0			0	-1		-1	-2	-3	-4	-5
<b>Enterprise Customers - A&amp;NZ</b>	<b>41</b>			<b>53</b>	<b>95</b>		<b>115</b>	<b>178</b>	<b>247</b>	<b>321</b>	<b>395</b>
Meters under Mgt - Direct (at period end)	7,500			18,518	22,380		25,000	37,500	50,000	62,500	75,000
Meters under Mgt - Indirect	-			-	10,500		10,500	17,500	27,500	40,000	52,500
Eliminations	-			-	-		-	-	-	-	-
<b>Meters under Mgt - A&amp;NZ</b>	<b>7,500</b>			<b>18,518</b>	<b>32,880</b>		<b>35,500</b>	<b>55,000</b>	<b>77,500</b>	<b>102,500</b>	<b>127,500</b>
Meters - Penetration % (base 1.4m)	0.5%			1.3%	2.3%		2.5%	3.9%	5.5%	7.3%	9.1%
Revenue per Avge Meter	\$ 167.41			\$ 102.19	\$ 123.94		\$ 120.00	\$ 89.44	\$ 87.62	\$ 85.50	\$ 83.87
<b>P &amp; L</b>											
Platform Subscription Fees	1.3	0.9	1.0	1.9	1.2	1.4	2.6	4.0	5.8	7.7	9.6
Other Revenue	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BidBilly</b>							0.0	0.2	0.9	1.8	3.7
<b>Total Revenue</b>	<b>1.3</b>	<b>0.9</b>	<b>1.0</b>	<b>2.0</b>	<b>1.3</b>	<b>1.3</b>	<b>2.6</b>	<b>4.2</b>	<b>6.7</b>	<b>9.5</b>	<b>13.3</b>
<b>Operating expenses</b>											
Third party support costs	-0.5	-0.3	-0.4	-0.7	-0.5	-0.5	-1.0	-1.1	-1.1	-1.2	-1.2
Admin Expense	-0.9	0.4	-1.1	-0.7	-0.5	-0.5	-1.0	-1.1	-1.1	-1.2	-1.2
Employee Benefits expense	-4.1	-1.8	-1.8	-3.6	-1.9	-2.1	-4.0	-4.3	-4.5	-4.7	-4.9
Marketing Expense	-0.3	-0.1	-0.1	-0.2	0.0	0.0	-0.1	-0.3	-0.3	-0.3	-0.3
Travel expense	-0.2	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
Occupancy expense	-0.2	-0.1	-0.1	-0.2	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.3
<b>Total Operating expenses</b>	<b>-6.1</b>	<b>-1.987</b>	<b>-3.5</b>	<b>-5.5</b>	<b>-3.1</b>	<b>-3.4</b>	<b>-6.6</b>	<b>-7.1</b>	<b>-7.4</b>	<b>-7.8</b>	<b>-8.2</b>
<b>Ebitda</b>	<b>-4.8</b>	<b>-1.1</b>	<b>-2.5</b>	<b>-3.6</b>	<b>-1.9</b>	<b>-2.1</b>	<b>-4.0</b>	<b>-2.8</b>	<b>-0.7</b>	<b>1.7</b>	<b>5.1</b>
Ebitda Margin	-361%	-115.7%	-243.4%	-183.1%	-146.8%	-156.0%	-151.6%	-67.0%	-11.1%	17.6%	38.5%

Source: Company reports; Phillip Capital forecasts

## Business Review - UK

The UK presents a very large, sophisticated and concentrated market – at least 5 times the size of the Australian market. Bills are in electronic format, half-hourly interval data is readily available in standard formats, and energy is highly competitive with over 70 energy retailers operating in most areas of the country.

The UK is structurally very similar to the Australian market and BID management believes the UK is prime territory for an expanded BidEnergy robotic (RPA) solution.

One difference though is a large existing penetration by energy brokers and three main bill processing platforms which handle an estimated 70-80% of the market. This provides a potential opportunity for BID to scale very quickly via the broker channel, although the revenue rate per meter is expected to also be commensurately lower.

The opportunity for Direct client wins may also be proportionately lower, but the UK is still a big market.

The UK also provides a potential launch pad into the even larger, but more fragmented European market. Existing customers such as BP would be strong large potential prospects for BID, and we understand there has already been discussions about Europe and the USA with that customer.

BidEnergy - UK - Market Composition	UK	Australia & NZ
SME meters (0-149 employees)(assume 1 meter per business)	5.7	1.0
Enterprise meters (Balancing item) (m)	13.6	1.4
Household meters (assume 1 meter per household) (m)	27.0	11.2
<b>Electricity meters (m)</b>	<b>46.3</b>	<b>13.6</b>
BID meters under management	5,000	33,000
<b>BID - estimated market penetration</b>	<b>0.01%</b>	<b>0.2%</b>
<b>BID - estimated penetration of Enterprise market</b>	<b>0.04%</b>	<b>2.4%</b>
No. of electricity providers	>70	26
Population (m)	66.9	25.3

Source: BID and Phillip Capital estimates

### Progress to Date

BP was BID's first customer in the UK commencing January 2018. In April 2017 BID announced an extension of its Aust & NZ contract for BP to the UK for 306 company owned petrol stations in the UK. Country set up and on-bording was completed in December 2017 and revenue commenced 1 January 2018. The contract extension validated the customer benefits of BID's proprietary system, and provided BID with a walk-up start with a "marquee" reference customer. It also necessitated BID to "train" its robots to read UK utility bills from the main providers and to acquire UK tariff schedules and discount rates prior to launch.

We note that there are a further ~900 BP petrol stations in the UK owned by individuals and smaller groups (and 18,700 in 78 countries worldwide). Logically we think BID should be able to pick up many of these if it can get a friendly introduction from BP, though small business accounts are not the immediate target for BID. Large enterprise customers are the priority targets.

Another pre-existing Aussie customer – Toll Group renewed its Australian contract and also extended its scope to include NZ, the UK and USA, commencing September 2018. Further validation for the BID platform.

Simon Farmer joined BID as Country Manager – UK & Europe in a full-time role that commenced on 12/9/18. Simon has deep industry experience having worked for an energy retailer, and as a consultant, and as a multi-site customer so he understands all facets of the role and has important industry contacts. In The January 4C, BID stated that Simon had made significant progress in building a portfolio of pipeline opportunities whilst winning four new UK accounts in just four months:

- Walkers non-such Toffees, commenced October 2018
- Carbon Numbers Limited – an FM customer which uses multiple sources of data to improve building performance for its clients
- Catalyst Commercial – a TPI customer (third party independent energy broker)
- Bellrock Group – an FM customer – An innovative technology-enabled property management, engineering and facilities management company operating in the corporate, education, government, healthcare, local authority, retail & leisure, and not-for-profit sectors.

So BID at March 2019, had 6 customers (BP, Toll Group and the above-named 4 new customers), up from just 1 nine months ago. There are approximately 4,000 meters are currently being onboarded for the above customers, making ~ 5,000 in total.

### *Channel Partnerships*

In the March quarter 2019, BID signed a heads of agreement with a second UK TPI (third party independent broker) called LG Energy UK. BID expects that LG will commence to utilise the BID platform from 1 November 2019.

### *FM (Facilities Management) customers an important target*

We liked the following insights from Bellrock because it seems to echo BID's technological advantage, and Bellrock looks a great partner for BID to have. Bellrock has a proprietary FM system called Concerto which appears to be winning numerous large enterprise accounts. In yesterday's quarterly update, BID confirmed that it was working with Bellrock across their portfolio and would be integrating into their "Concerto" system. This is very good news.

**What we do**

Our philosophy is to apply the most relevant delivery model whether that is using a supply chain or our in-house teams. We harness the emerging world of the intelligent workplace, robotics and artificial intelligence (AI), not only to reduce costs and risk, but also to enhance the customer experience.

Using our IDEA (integrated digital estates assets) model we help our clients understand the maturity of their FM and property processes and data gathering so that we can implement the most efficient delivery model for their organisation. Our unique combination of subject matter expertise, supply chain management and world class technology mean we partner with ambitious organisations focused on competitive advantage, reducing costs and risk to realise the value of their estate.

### **Our Vision**

#### THE ESSENCE OF WHAT WE DO

To provide peace of mind through compliant facilities and property management services delivered by our technology led professional expertise.



#### WHO WE DO IT FOR

- ✓ Corporate
- ✓ Government
- ✓ Health
- ✓ Education
- ✓ Not for profit

#### HOW WE DO IT

- ✓ Market Leading Technology
- ✓ Analytics
- ✓ FM
- ✓ Property
- ✓ Supply Chain Expertise

#### ACROSS THESE SERVICE LINES

- ✓ Software
- ✓ Workplace & Compliance
- ✓ Technical & Real Estate
- ✓ Maintenance & Engineering

Source: [Bellrockgroup.co.uk](http://Bellrockgroup.co.uk) website

## Energy Management & Sustainability



Our energy management solutions are directly linked to our maintenance and engineering services delivery model. The Bellrock engineers ensure maximum whole life benefits of the assets we manage for our customers' property portfolios.

Our energy service is focused on increasing efficiency, reducing emissions and costs whether that is for initial feasibility studies, installation, project management or verification.

Our energy, engineering and controls team works in partnership with our customers to identify opportunities for efficiency improvements using bespoke energy service models. We specialise in assessing asset management, dynamic simulation modelling, building management systems (BMS), energy performance contracts (EPC), risk-managed energy procurement, remote energy bureau services and energy compliance.

Get in touch to find out how we can reduce your energy consumption.

Bellrock Group has numerous large enterprise clients and many of these have large numbers of properties as we highlight below eg. Manchester City Council has 12,500 sites alone to manage. These are taken from the case studies listed on Bellrock's website.

### Bellrock Group UK - Facilities Management (FM) customer examples

Woking High School

University of Warwick (2 campuses + London offices at the Shard)

Tudor Grange Academies Trust (8 educational academies)

Carseview psychiatry centre, Dundee (NHS Tayside)

**Priory Group, independent mental health provider (679 sites)**

Jersey State Government (sewage treatment works, energy from waste plant, and > 110 pumping stations)

Portsmouth City Council (public health plan projects)

Blackpool Council (centralised asset management database; Council has 152,000 workers)

**Manchester City Council (12,500 diverse sites from housing to offices, amenities and schools)**

Wagamama restaurants (over 130 sites in UK)

**Orkney Island Council (management of around 1,000 domestic properties)**

Islington London Borough Council

Gateshead Council (Property Services Division)

**Star Pubs & Bars (owned by Heineken, 2,900 locations across England, Scotland & Wales)**

The Hive (contains the University of Worcester, County Council library, & County Council Archaeological Service)

Source: [www.bellrockgroup.co.uk/case-studies](http://www.bellrockgroup.co.uk/case-studies)

## UK Outlook, Assumptions & Forecasts

The UK is in the middle of a GBP 11bn nationwide smart meter roll-out for electricity and gas. By the end of 2020, around 53 million smart meters will have been fitted to over 30 million premises (households and businesses). More than 12m have already been installed. The objective is to upgrade the UK's energy infrastructure. Smart meters help enable the smart grid to help solve a lot of the UK's energy problems. (refer [www.smartenergygb.org/en/faqs](http://www.smartenergygb.org/en/faqs)). So this forms an excellent backdrop for BID's advanced platform.

In the January 2019 quarterly, BID said that it had been invited to present its solution to large global enterprise companies and that it will continue to invest in the UK market adding further sales resources in CY2019 and beyond to capture the opportunities available to it.

The UK business is still in its infancy but the initial establishment phase now seems largely complete. All the ingredients are now in place for the business to now take off. Winning major FM customers like Bellrock Group and Carbon Numbers Limited (which have a large number of underlying customers themselves) will help BID scale rapidly (see further information on Bellrock above).

Penetrating the broker channel with clients like Catalyst Commercial is another key growth driver. BID management certainly believes the company is now past a key inflection point.

We show below our forecasts and assumptions for the UK market.

- Direct customers – We assume BID wins a further 5 new customers in 2H19, then 20 in FY20 and 20 in FY21 and 30 in FY22 and 40 in FY23. This is based on the strong level of confidence expressed by management. We assume these customers have 200 locations each in FY19; 300 each in FY20, and 400 each thereafter (somewhat larger than our 250 location assumption for Australia & NZ).
- Indirect customers – We assume no further broker / TPI deals in FY19, but 3 new deals for FY20 and each subsequent year. We assume that each of these TPI's have 4,000 customer locations each (Vs Cushman & Wakefield's 10,500 meters). We understand that some brokers could have 10,000 plus sites under management.
- Pricing – We assume GBP 60.00 revenue per meter for direct customers (ie GBP 5.00 per month per meter) and GBP 26.40 for indirect (ie GBP 2.20 per month per meter). This drives an average revenue per meter of GBP 38-42 pa (A\$70-78 pa).
- We expect a small Ebitda loss in FY19, before an accelerating improvement from FY20 onwards.
- And we haven't taken Continental Europe into account yet.

<b>BidEnergy - UK Forecasts - In GBP</b>											
Years ended June (GBP m)	FY17	1H18a	2H18a	FY18	1H19a	2H19e	FY19e	FY20e	FY21e	FY22e	FY23e
Enterprise Customers - Direct	0	0	0	1	5	10	10	30	50	80	120
Enterprise Customers - Indirect (TPIs)	0	0	0	0	1	1	1	4	7	10	12
<b>Enterprise Customers - UK Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>11</b>	<b>11</b>	<b>34</b>	<b>84</b>	<b>90</b>	<b>132</b>
Meters under Mgt - Direct (at period-end)	-	-	-	306	1,000	2,000	2,000	9,000	20,000	32,000	48,000
Meters under Mgt - Indirect (TPIs)	-	-	-	-	3,000	4,000	4,000	16,000	28,000	40,000	48,000
<b>Meters under Mgt - UK Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>306</b>	<b>4,000</b>	<b>6,000</b>	<b>6,000</b>	<b>25,000</b>	<b>48,000</b>	<b>72,000</b>	<b>96,000</b>
Meters - Penetration % (base 13.6m)				0.002%	0.029%	0.044%	0.044%	0.2%	0.4%	0.5%	0.7%
Revenue per Ave Meter GBP					11.97	44.30	22.72	38.32	39.75	40.96	42.40
Revenue per Ave Meter A\$					\$ 21.41	\$ 81.64	\$ 41.66	\$ 70.25	\$ 72.87	\$ 75.09	\$ 77.73
<b>P &amp; L</b>											
Platform Subscription Fees	0.0	0.000	0.000	0.0	0.013	0.059	0.1	0.6	1.5	2.5	3.6
Other Revenue	0.0	0.000	0.000	0.0	0.000	0.000	0.0	0.0	0.0	0.0	0.0
<b>Total Revenue</b>	<b>0.0</b>	<b>0.000</b>	<b>0.000</b>	<b>0.0</b>	<b>0.013</b>	<b>0.059</b>	<b>0.1</b>	<b>0.6</b>	<b>1.5</b>	<b>2.5</b>	<b>3.6</b>
<b>Operating expenses</b>											
Third party support costs	0.0	0.000	0.000	0.0	0.000	0.000	0.0	0.0	0.0	0.0	0.0
Admin Expense	0.0	0.000	0.000	0.0	-0.006	-0.010	0.0	0.0	0.0	0.0	0.0
Employee Benefits expense	0.0	0.000	0.000	0.0	-0.044	-0.266	-0.3	-0.5	-0.8	-1.0	-1.2
Marketing Expense	0.0	0.000	0.000	0.0	-0.007	-0.011	0.0	0.0	0.0	0.0	0.0
Travel expense	0.0	0.000	0.000	0.0	-0.004	-0.006	0.0	0.0	0.0	0.0	0.0
Occupancy expense	0.0	0.000	0.000	0.0	0.000	0.000	0.0	0.0	0.0	0.0	0.0
<b>Total Operating expenses</b>	<b>0.0</b>	<b>0.000</b>	<b>0.000</b>	<b>0.0</b>	<b>-0.062</b>	<b>-0.292</b>	<b>-0.4</b>	<b>-0.6</b>	<b>-0.8</b>	<b>-1.0</b>	<b>-1.3</b>
<b>Ebitda</b>	<b>0.0</b>	<b>0.000</b>	<b>0.000</b>	<b>0.0</b>	<b>0.049</b>	<b>-0.234</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.7</b>	<b>1.4</b>	<b>2.3</b>
Ebitda Margin	n/a	n/a	n/a	n/a	-378%	-398%	-394%	4%	45%	58%	64%

(Note 1: UK was included with A & NZ in FY18, but is now split out)

<b>BidEnergy - UK Forecasts - In AUD</b>												
Years ended June (A\$ m)	FY17	1H18a	2H18a	FY18	1H19a	2H19e	FY19e	FY20e	FY21e	FY22e	FY23e	
Platform Subscription Fees		0.000	0.000		0.023	0.077	0.1	0.8	2.0	3.4	5.0	
Other Revenue		0.000	0.000		0.000	0.000	0.0	0.0	0.0	0.0	0.0	
<b>Total Revenue</b>	<b>0.0</b>	<b>0.000</b>	<b>0.000</b>	<b>0.0</b>	<b>0.023</b>	<b>0.077</b>	<b>0.1</b>	<b>0.8</b>	<b>2.0</b>	<b>3.4</b>	<b>5.0</b>	
<b>Operating expenses</b>												
Third party support costs		0.000	0.000		0.000	0.000	0.0	0.0	0.0	0.0	0.0	
Admin Expense		0.000	0.000		-0.012	-0.011	0.0	0.0	0.0	0.0	0.0	
Employee Benefits expense		0.000	0.000		-0.079	-0.355	-0.4	-0.7	-1.1	-1.4	-1.7	
Marketing Expense		0.000	0.000		-0.013	-0.012	0.0	0.0	0.0	0.0	0.0	
Travel expense		0.000	0.000		-0.007	-0.007	0.0	0.0	0.0	0.0	0.0	
Occupancy expense		0.000	0.000		0.000	0.000	0.0	0.0	0.0	0.0	0.0	
<b>Total Operating expenses</b>	<b>0.0</b>	<b>0.000</b>	<b>0.000</b>	<b>0.0</b>	<b>-0.110</b>	<b>-0.385</b>	<b>-0.5</b>	<b>-0.8</b>	<b>-1.1</b>	<b>-1.5</b>	<b>-1.8</b>	
<b>Ebitda</b>	<b>0.0</b>	<b>0.000</b>	<b>0.000</b>	<b>0.0</b>	<b>0.087</b>	<b>-0.308</b>	<b>-0.4</b>	<b>0.0</b>	<b>0.9</b>	<b>2.0</b>	<b>3.2</b>	
Ebitda Margin	n/a	n/a	n/a	n/a	n/a	-378.4%	-399%	-394.3%	3.7%	44.8%	57.7%	63.7%

(Note 1: UK was included with A & NZ in FY18, but is now split out)

Source: Company results; Phillip Capital forecasts

## Business Review - USA

BID's US business comprises the following:

- RealWinWin (RWW) – energy rebate capture specialist
- BidEnergy USA – energy spend management (ESM) platform business

### RealWinWin (RWW)

RWW was acquired in November 2016 for \$1.5m in cash and shares and options.

RWW is an energy rebate capture business based in Philadelphia, Pennsylvania that manages the process of claiming rebates from Energy Retailers for the purchase and installation of energy efficient equipment including LED lighting change-outs, on a fee for service basis. This includes securing pre-approvals, post installation inspections and audits and claim filings. Most US states have these schemes, often partly government funded. The business was founded approximately 2002. RWW has worked on over 140,000 projects and 225 different rebate programs according to its website.

BID says RWW is considered number 1 in its niche category but there are multiple competitors including LED light installers, Schneider etc etc. RWW was established approximately 2001. It currently has 12 staff (including BID platform staff).

Project examples include the following:

RealWinWin Inc (RWW) - Project examples		Project Cost (US\$m)	Annual Energy Savings (US\$m)	Simple Payback (years)	Rebates	Rebates as % of Cost	Payback with Rebates (years)
Quick Service Restaurant	LED track lighting lamp replacements	4.600	1.840	2.5	1.280	28%	1.8
International Telco central office	Chilled water plant optimisation	0.158	0.073	2.1	0.116	74%	0.6
National Logistics Coy	Lighting upgrades	0.760	0.197	3.9	0.306	40%	2.3
Convenience Store chain	LED retrofits to refrigerated cases etc	20.000			3.610	18%	
Commercial real estate firm	Multi-storey lighting retrofit	0.292	0.091	3.2	0.072	25%	2.4
National Retailer	HVAC and lighting in new DC	2.966	0.265	11.2	0.227	8%	10.3
Big Box retailer (325 sites)	Variable frequency drives to air handlers	5.500	3.400	1.6	2.100	38%	1.0
International Telco regional office	VFDs on chiller compressors	0.262	0.099	2.6	0.130	50%	1.3
Clothing retailer	Lighting retrofit at DC	0.353			0.131	37%	
<b>Totals</b>		<b>34.890</b>		<b>3.9</b>	<b>7.972</b>	<b>23%</b>	<b>2.8</b>

Source: RWW website results examples

RWW has approximately 100 current large enterprise customers including national retail chains and Fortune 500 organisations. The acquisition provides BID with potential access to over 100 large multi-site customers, collectively with over 100,000 sites.

Some of these customers have over 10,000 sites each, making them prime prospects for the BidEnergy energy spend management (ESM) platform.

Examples of RWW past and present clients are given on the RWW website. We have selected a sample of names below, and highlight that large international property and Facilities Management companies (Cushman & Wakefield, CBRE & Jones Lang LaSalle) are on the list, as is recent new BID platform client Jo-Ann Stores. So is former acquisition target Ameresco. We note that retail chains, fitness centres, restaurant chains and hotel chains are prominent.

### RealWinWin Inc (RWW) - Customer examples

7-Eleven	GAP	Macy's	TGI Friday's
Ameresco	Hilton	Marriott International	Toys R US
American Eagle Outfitters	Hyatt Hotel Corp	Mervyn's (department stores)	United States Postal Service
Applebee's Grill & Bar	JC Penny	Millenium Hotels	United Supermarkets
Bally Total Fitness	Jo-Ann Stores	Office Depot	Williams-Sonoma
Bank of America	Jones Lang LaSalle	OfficeMax	
Barnes & Noble	Lend Lease	Regal Cinemas	
Bed Bath & Beyond	Liberty Property Trust	Saks Fifth Avenue	
CBRE	Lifetime Fitness	Savers	
Cushman & Wakefield	Lockheed Martin	Starbucks	
Dollar Tree	Luxottica	Starwood Hotels	

Source: RealWinWin website, list of Customers & Vendors

In FY17 and FY18 BID accounted for this acquisition separately, so we can see how it performed on its own. It was loss-making at the time of acquisition. The BID platform business now operates from RWW's premises in Philadelphia, and the two businesses have now been merged and operate as one, and are reported as one.

RealWinWin - Summary of results (A\$m)	FY17 (7 months)	FY18 (12 months)
Rebate revenue	1.298	2.101
Operating Expenses	-1.251	-1.803
<b>Ebitda</b>	<b>0.047</b>	<b>0.298</b>
Ebitda margin	3.6%	14.2%
Depreciation & Amortisation	-0.503	-0.118
<b>EBIT</b>	<b>-0.456</b>	<b>0.180</b>
Tax credit	0.193	0.010
<b>NPAT</b>	<b>-0.264</b>	<b>0.190</b>
<b>Evaluation of acquisition:</b>		
Purchase price per FY17 accounts (note 31)		1.459
Net assets acquired (includes mostly other intangibles)		0.793
Goodwill paid		0.666
EV / Sales		0.7x
EV / Ebitda multiple		4.9x
EBIT multiple		8.1x
P/E multiple		7.7x

Source: BID accounts; Phillip Capital calculations

Consideration was A\$1.5m comprising cash \$424k, \$608k in BID shares at 7.0 cents (47.6 cents post consolidation), \$270k in options (at 7.0 cents) and \$158k contingent consideration.

In its first full year, RWW had revenue of A\$2.1m and Ebitda of \$0.3m. The purchase price equated to 0.7x revenue and 4.9x FY18 Ebitda, so it looks to be an attractive acquisition in its right, as well as offering strong potential synergies for BID's platform business.

### RWW - Prospects

The RWW business was loss-making before its acquisition by BID, and seems to have been turned around successfully. In March 2017 RWW won a new 12-mth contract for one of the world's largest retailers.

In January 2019 RWW won a new 2+1+1 year contract for a "major Fortune 50" US national retailer with >2,000 sites. Estimated revenue is US\$350k per annum once operational.

Yesterday, BID's March quarterly announced four new good quality customer wins:

- O'Reilly Auto Parts (Nasdaq: ORLY, market cap US\$29bn, website says 5,200 stores in 47 states)
- Ulta Beauty (Nasdaq: ULTA, market cap US\$20.6bn, website says it has 1,174 retail stores across 50 states)
- CarMax (NYSE: KMX, Market cap US\$12.9bn; website says it has 195 locations in the US)
- Sonesta International Hotels (website says it has 70 properties in 8 countries, including 54 in the USA)

The merged BID USA division now has two complementary products to offer – the outsourced rebate capture business, and now the BID energy spend management (ESM) platform. The March quarterly report yesterday highlights a third product group is also now available – SaaS products for Utilities and Energy brokers.

For FY20 we assume 10% organic growth plus US\$350k for the major new customer.

For FY21 and beyond, we assume 20% pa growth as the business appears to have been reinvigorated.

## BidEnergy USA platform business

At end-March 2019, BID has 6 subscription customers:

- Jo-Ann Stores Inc (~850 fabric and craft stores in 49 states)
- X-Sport Fitness
- A subsidiary of Berkshire Hathaway
- Cotton On (99 stores in USA, but has > 1,200 stores in 12 countries)
- Toll Group
- Aqua America (US water and waste-water utility serving 3 million people)

The JoAnn contract (announced in November 2018) was significant in scope because it required BID to be set up to manage and analyse bills from approximately 1,000 energy retailers in 49 states (JoAnn is not in Hawaii).

### *Channel Partnerships / Wholesale*

#### *Correlate Inc –*

In the March quarterly report yesterday, BID announced a new long-term agreement to provide a white-label wholesale solution to Correlate Inc ([www.correlateinc.com](http://www.correlateinc.com)). Based in California, Correlate is a specialist outsourced energy optimisation company targeting around 14,000 energy managers responsible for ~6 million commercial buildings.

BID and Correlate Inc are already on-boarding 12 “mid-market, regional brand clients” that are not yet included in BID’s client number count.

Then BID and Correlate will initially target the de-regulated US energy states, but including some national sales opportunities

In addition, BID and Correlate will establish and co-fund a specialist team targeting SMEs, retail energy partners, and Utilities with BID’s new wholesale SaaS products. This will utilise BID’s 13 staff based in Philadelphia and Correlate’s staff on the west coast, and in Texas. Correlate is in discussions with an energy retailer to provide a white label portal service for its energy brokers and clients.

#### *Apollo Edison*

Also announced in the March quarterly yesterday, was a new partnership agreement signed with Apollo Edison USA, a privately owned outsourced energy consultancy firm. The agreement is for BID’s energy spend management (ESM) platform and auction platform solutions. BID says this will fast-track its US market entry, and leverages Apollo’s portfolio of customers in the commercial, industrial and government sectors across the major digitised energy markets such as California (CAISO), Mid-Atlantic (PJM), New England (NEISO), New York (NYISO) and Texas (ERCOT).

BID says the auctions with Apollo Edison will commence in May, and that there are “immediately available” cross-selling opportunities for the energy spend management (ESM) platform and for the RWW rebate capture business.

We were very interested to see a new product listed in red on Apollo’s website that looks like it is powered by BID’s technology.

## Energy Sourcing & Reverse Auctions

**apollo Edison** assists customers in navigating the deregulated electricity & natural gas landscape domestically & internationally. **apollo Edison** is licensed in most major markets including PJM and has a network of qualified retail energy suppliers that can meet the contracting requirements of our customers. **apollo Edison** works on transparent & fair fee structures and utilizes efficient processes & technology platforms to deliver customer value.

We can begin monitoring market conditions today to assist with your next energy supply contract. We can also introduce competitive funding options through the process to pay for energy efficient equipment and upgrades as described below.

### NEW SERVICE - REVERSE AUCTIONS !

The founders of **apollo Edison** have run hundreds of successful Energy Reverse Auctions stemming back to 2006. We have been working to develop an improved Auction design to create customer value and engage suppliers fairly throughout the process. More details to come and please reach out in the interim !



### *Facilities Management (FM) customers*

Many large organisations in the USA, Europe and elsewhere outsource their building maintenance and property management to specialist Facilities Management providers like Cushman & Wakefield (BID customer in Australia), CBRE and Colliers.

BID USA doesn't have any of these customers yet, but it is part of BID's strategy to target these organisations. Success here would help BID scale very quickly. Please refer to our UK discussion on FM customer Bellrock Group.

### *US Market Size*

BID estimates that there are about 150 million electricity meters in the US. Using that figure as a base, we have estimated the size of the enterprise market to be around 54 million meters.

We strip out domestic meters as these are not currently BID's target market (But see our discussion on BidBilly later). And we strip out sole traders many of which might work from home, and very small businesses as these are not BID's target market.

We regard these as very rough, ball park type estimates. However, this exercise shows that BID currently has a tiny market penetration, and that there is a huge market opportunity.

BidEnergy - Estimated Market Composition	Australia & NZ	UK	USA
SME meters (assume 1 meter per business) - Not BID's target market	1.0 (sole traders)	5.7 (0-149 employees)	5.0 (0-100 employees)
Enterprise meters (Balancing item) (m) - This is BID's target market	1.4	13.6	53.8
Household meters (assume 1 meter per household) (m) - Billy's target	11.2 (households)	27.0 (households)	91.2 (single family homes)
<b>Electricity meters (m)</b>	<b>13.6</b>	<b>46.3</b>	<b>150</b>
BID meters under management	29,000	5,000	4,000
<b>BID - estimated market penetration</b>	<b>0.2%</b>	<b>0.01%</b>	<b>0.003%</b>
<b>BID - estimated penetration of Enterprise market</b>	<b>2.1%</b>	<b>0.04%</b>	<b>0.01%</b>
No. of electricity providers	26	>70	> 3,500
Population (m)	25.3	66.9	328.7

Source: BID estimates for total number of meters; Phillip Capital estimates the rest

### *Outlook*

In our opinion, the prospects for the BID energy spend management (ESM) platform for the next few years look excellent. BID has an important large reference customer in JoAnn covering 49 of the 50 US States, and we understand that JoAnn is willing to be a customer referee to help BID win more customers. And BID is just beginning with its plan to cross sell the BID ESM platform to the 100 existing and past RWW customers which have > 100,000 sites.

A minor negative is that in the USA, only about 18 of the States are deregulated for electricity and about 27 for gas, meaning there isn't the choice of numerous competitive suppliers and prices that we are used to with electricity and gas in Australia. However even in the monopoly provider states (ie not yet de-regulated), the BID ESM platform still has benefits to customers including validating the accuracy of bills, accumulating and analysing an organisation's energy spend, improved payment and accounting. Many utilities in the US bill only once a year, and many do not accept electronic payments. However, this is gradually changing.

It is no surprise that RWW and BID USA are based in Pennsylvania which is one of the deregulated states for both electricity and gas, and is in a region surrounded by other de-regulated states.

The "PJM" states are a group of 13 US states that operate what is considered the "model" inter-connected electricity market that is fully deregulated covering more than 65 million people.

BID believes its automation platform is immediately suitable for these PJM states.

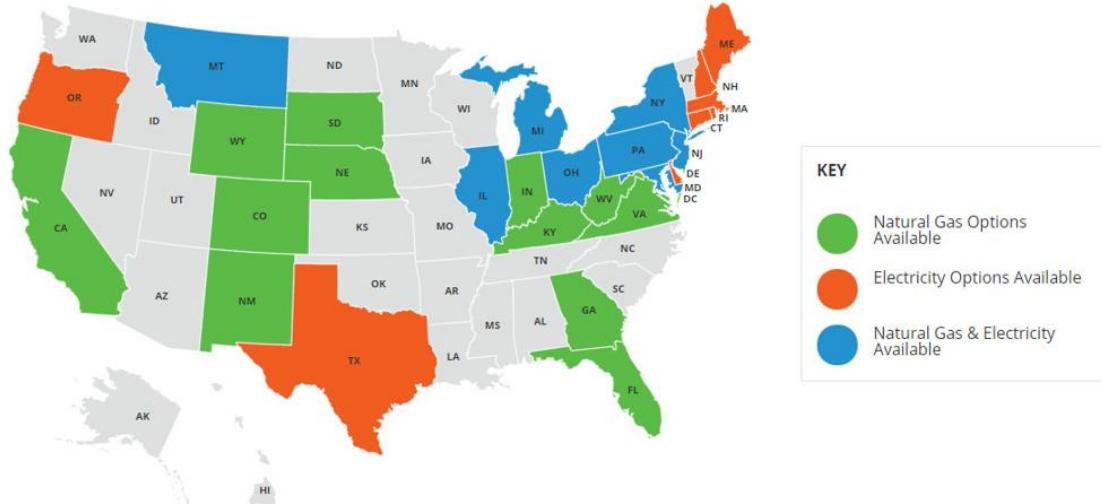
We discuss the deregulated states further below.

### Deregulated Electricity & Gas States in the USA

The map below shows the US states which are de-regulated for gas only (green), electricity only (orange) or both (aqua), sourced from [www.uspowerandlight.com](http://www.uspowerandlight.com). About 30 US states (60%) have either de-regulated electricity, gas or both.

## Map of Deregulated Energy States and Markets

This up-to-date map shows deregulated electric and gas markets in the US as of spring 2017. Keep in mind that **no state has an energy market that is completely deregulated**. The closest state is [Texas](#) with approximately 85% of the state having access to energy choice.



Deregulated States in the USA			
Electricity only	Gas & Electricity	Natural Gas only	Total
Delaware	California (elec is limited)	Colorado	
Oregon	Connecticut (gas is partial)	Florida	
Texas	Illinois	Georgia	
	Maine	Indiana	
	Maryland	Iowa (limited)	
	Massachusetts	Kentucky	
	Michigan	Montana	
	New Hampshire	Nebraska	
	New Jersey	New Mexico	
	New York	South Dakota	
	Ohio	West Virginia	
<b>Pennsylvania</b>	Washington DC	Wyoming	
	Rhode Island		
	Virginia		
3	15	12	30

Source: [www.uspowerandlight.com/deregulated-energy-markets/](http://www.uspowerandlight.com/deregulated-energy-markets/)

## BID USA -Assumptions & Forecasts

We show our forecasts and key assumptions for the USA division below.

- Direct customers - We assume BID wins a further 5 new customers in 2H19, then 20 in FY20 and 30 in FY21 and 40 in FY22 and 50 in FY23. This is based on the strong level of confidence expressed by management. We assume these customers have 300 locations each in FY19; 400 each in FY20, and 500 each thereafter (somewhat larger than our 250 location assumption for Australia & NZ). We note that Joann was 850 locations, so we might be very conservative here.
- Indirect customers – We assume two channel deals with Correlate Inc and Apollo Edison commence in FY19 bringing in 500 new meters each for initial customers. We assume BID signs new deals that bring onto the platform 20,000 new meters in FY20, 40,000 new meters in FY21, FY22 and FY23. This looks reasonable compared to Cushman & Wakefield Australia's 10,500 meters). We understand that some of RWW's existing customers have over 10,000 sites each. Eg. 7-Eleven has over 67,000 stores in 17 countries including 10,000 in the USA and Canada.
- Pricing – We assume US\$84.00 revenue per meter for direct customers (ie US\$ 7 per month per meter) and US\$33.60 for indirect (ie US\$2.80 per month per meter). This drives an average rev per meter of US\$62 gradually falling to US\$49 as the indirect deals kick in (A\$87 to A\$69).
- RWW - We expect a small Ebitda loss in FY19, as the RWW business is seasonal in favour of the 1<sup>st</sup> half, before an accelerating improvement from FY20 onwards. FY20 should benefit from the new 2+1+1 year contract with a major national retailer (US\$350k pa expected) and four recent client wins.
- Ebitda Margins - With low operating costs, we expect Ebitda margins can scale quickly to the 50-70% level.

<b>BidEnergy USA - In USD</b>											
Years ended June	FY17	1H18a	2H18a	FY18	1H19a	2H19e	FY19e	FY20e	FY21e	FY22e	FY23e
Enterprise Customers - Direct	2	0		4	5		10	30	60	100	150
Enterprise Customers - Indirect	0	0		0	0		2	20	40	60	80
<b>Enterprise Customers -Total USA</b>	<b>2</b>	<b>0</b>		<b>4</b>	<b>5</b>		<b>12</b>	<b>50</b>	<b>100</b>	<b>160</b>	<b>230</b>
Meters under Mgt - Direct (at period end)	-	-	-	1,000	1,000	-	3,000	12,000	30,000	50,000	75,000
Meters under Mgt - Indirect	-	-	-	-	-	-	1,000	20,000	80,000	120,000	160,000
<b>Meters under Mgt - Total USA</b>	<b>-</b>	<b>-</b>		<b>1,000</b>	<b>1,000</b>		<b>4,000</b>	<b>32,000</b>	<b>110,000</b>	<b>170,000</b>	<b>235,000</b>
Meters - Penetration % (base 54m)				0.002%			0.007%	0.06%	0.20%	0.31%	0.44%
Meters per Client - Direct	-	-	-	-	200	-	300	400	500	500	500
Meters per Client - Indirect	-	-	-	-	-	-	500	1,000	2,000	2,000	2,000
<b>Meters per Client - USA Total</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>200</b>		<b>333</b>	<b>640</b>	<b>1,100</b>	<b>1,063</b>	<b>1,022</b>
Revenue per Avge Meter US\$				nm	\$ 121.29		\$ 61.94	\$ 54.60	\$ 48.51	\$ 48.00	\$ 49.16
Revenue per Avge Meter A\$				nm	\$ 168.15		\$ 86.63	\$ 76.36	\$ 67.84	\$ 67.13	\$ 68.75
<b>P &amp; L</b>											
<b>AUD/USD rate used</b>	<b>0.7538</b>	<b>0.7802</b>		<b>0.7735</b>	<b>0.7213</b>		<b>0.715</b>	<b>0.715</b>	<b>0.715</b>	<b>0.715</b>	<b>0.715</b>
Platform Subscription Fees	0.002	0.005 <sup>+</sup>	0.007	0.012	0.1	0.1	0.2	1.0	3.4	6.7	10.0
US Rebate revenue	1.0	1.0 <sup>+</sup>	0.6	1.6	1.0	0.8	1.8	2.3	2.8	3.3	4.0
<b>Total Revenue</b>	<b>1.0</b>	<b>1.0</b>	<b>0.6</b>	<b>1.6</b>	<b>1.1<sup>+</sup></b>	<b>0.9</b>	<b>1.9</b>	<b>3.3</b>	<b>6.2</b>	<b>10.1</b>	<b>14.0</b>
<b>Operating expenses</b>											
Third party support costs	0.0	0.0 <sup>+</sup>	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2
Admin expense	-0.2	-0.1 <sup>+</sup>	-0.1	-0.2	-0.1	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3
Employee Benefits expense	-1.6	-1.0 <sup>+</sup>	-0.5	-1.5	-0.7	-0.9	-1.6 <sup>+</sup>	-1.8 <sup>+</sup>	-2.1 <sup>+</sup>	-2.4 <sup>+</sup>	-2.8
Marketing expense	-0.2	0.0 <sup>+</sup>	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel expense	-0.1	0.0 <sup>+</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Occupancy expense	-0.1	-0.1 <sup>+</sup>	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2
<b>Total Operating expenses</b>	<b>-2.2</b>	<b>-1.2</b>	<b>-0.7</b>	<b>-1.9</b>	<b>-1.0<sup>+</sup></b>	<b>-1.2</b>	<b>-2.1</b>	<b>-2.4</b>	<b>-2.8</b>	<b>-3.1</b>	<b>-3.4</b>
<b>Ebitda</b>	<b>-1.2</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.3</b>	<b>0.1<sup>+</sup></b>	<b>-0.3</b>	<b>-0.2</b>	<b>0.9</b>	<b>3.5</b>	<b>7.0</b>	<b>10.5</b>
Ebitda Margin	-126%	-15.3%	-16.1%	-15.6%	10.3%	-33.1%	-9.1%	26.4%	55.8%	69.3%	75.3%

<b>BidEnergy USA - In AUD</b>											
Years ended June	FY17	1H18a	2H18a	FY18	1H19a	2H19e	FY19e	FY20e	FY21e	FY22e	FY23e
Platform Subscription Fees	0.002	0.007	0.009	0.015	0.084	0.132	0.2	1.4	4.8	9.4	13.9
US Rebate revenue	1.298	1.317	0.784	2.101	1.406	1.100	2.5	3.2	3.9	4.7	5.6
<b>Total Revenue</b>	<b>1.300</b>	<b>1.324<sup>+</sup></b>	<b>0.793</b>	<b>2.116</b>	<b>1.490<sup>+</sup></b>	<b>1.232</b>	<b>2.7</b>	<b>4.6</b>	<b>8.7</b>	<b>14.1</b>	<b>19.5</b>
<b>Operating expenses</b>											
Third party support costs	0.000	0.000	0.000	0.000	-0.082	-0.092	-0.2	-0.2	-0.2	-0.2	-0.2
Admin expense	-0.250	-0.097	-0.136	-0.233	-0.184	-0.205	-0.4	-0.4	-0.4	-0.5	-0.5
Employee Benefits expense	-2.168	-1.243	-0.681	-1.924	-0.962	-1.215	-2.2	-2.6	-3.0	-3.4	-3.9
Marketing expense	-0.297	-0.058	-0.018	-0.076	-0.006	-0.007	0.0	0.0	0.0	0.0	0.0
Travel expense	-0.123	-0.045	-0.010	-0.055	-0.019	-0.021	0.0	0.0	0.0	0.0	0.0
Occupancy expense	-0.101	-0.083	-0.075	-0.158	-0.084	-0.094	-0.2	-0.2	-0.2	-0.2	-0.2
<b>Total Operating expenses</b>	<b>-2.940</b>	<b>-1.526<sup>+</sup></b>	<b>-0.920</b>	<b>-2.447</b>	<b>-1.336<sup>+</sup></b>	<b>-1.634</b>	<b>-3.0</b>	<b>-3.4</b>	<b>-3.8</b>	<b>-4.3</b>	<b>-4.8</b>
<b>Ebitda</b>	<b>-1.640</b>	<b>-0.202<sup>+</sup></b>	<b>-0.128</b>	<b>-0.330</b>	<b>0.154<sup>+</sup></b>	<b>-0.402</b>	<b>-0.2</b>	<b>1.2</b>	<b>4.9</b>	<b>9.8</b>	<b>14.7</b>
Ebitda Margin	-126%	-15.3%	-16.1%	-15.6%	10.3%	-32.6%	-9.1%	26.4%	55.8%	69.3%	75.3%

Source: Company actuals; Phillip Capital estimates

## BidBilly – An exciting new opportunity

BidBilly is an exciting new product aimed at single bill customers such as franchisees, small business operators and associations and the residential market. It has already been tested in South Australia from September 2018 via an alliance with the South Australian Tourism Industry Council (SATIC) and a number of tourism and hospitality businesses.

BidBilly is a self-serve product that operates from a stand-alone website [www.bidbilly.com](http://www.bidbilly.com). Consumers can load a PDF electricity bill from their provider to get an immediate bill health check and rate comparison across various energy retailers. Consumers can use Billy for free until a better rate is located. BID calls this the “concierge feature” whereby every month or quarter, the bills will be automatically checked by the Billy robot and Billy will advise when a better rate is available. We tested BidBilly ourselves and can clearly see the potential.

A “trial” subscription fee was set at \$49 per annum for the SA pilot only, payable only if the customer decides to switch providers. BID is yet to set a permanent pricing model for the further rollout. Billy is retailer agnostic and works for the customer. There are no commissions. We show below a description from BID’s 12/7/18 quarterly report.



BID Billy is coming. BID's enterprise platform is coming to the high street and will launch in August with an initial focus on franchisees, small businesses and associations, with robotic capabilities and learnings used by our 74 enterprise robots, rebirthed and trained towards the single bill consumer.

Australians need a robot working for them not just a one-off comparison. Billy is retailer agnostic and works for you - there are no commissions.

Billy will be accessible through its own website, where consumers can manage their bills and get an immediate bill health check and rate comparison across the various energy retailers. Consumers can utilise Billy for free until a better rate is located - every month or quarter the bills will be checked and Billy will keep an eye open for a better rate.

Once Billy finds a better rate for your usage and location, an alert will be posted and savings identified. Consumers can then choose to take up the rate and join the monthly Billy subscription, whereupon the full Billy capabilities are delivered. Billy will keep an eye on each and every bill, troubleshoot directly with the energy retailers if rate errors or estimate billing is found, remind you when to pay and ensure your energy retailer maintains their promised discounts and rates. Billy will receive your energy bills directly from your energy provider each and every time so you no longer have to manage your own bills, providing you paperless bill management. Overtime Billy, through machine learning and with access to smart meter data will also help you lower your energy spend by highlighting saving opportunities and suggesting energy use alternatives.

Billy will also help the energy retailers by providing a sales channel that requires no commissions, that properly represents their rates and offers, and supporting consumers to pay their bills on time.

BidBilly will be officially launched in August, whereupon final pricing and next stage residential rollout plans will be presented. The Company is approaching major residential & SME consumer brands with a view to promoting and marketing Billy to the Australian marketplace.

### *South Australian Trial Results*

- 65% of registrations had benchmarked savings. One customer had a 50% saving.
- 7 energy retailers participated.
- Positive feedback and testimonials were received.

BID has further developed the product, and in the 29/10/18 quarterly report, outlined completion dates by December 2018 for the following new products:

1. A franchisee solution
2. A partner SME solution open to all SMEs across Australia
3. An Employee Residential solution, and
4. A Partner Consumer Residential solution.

Re item 1, we note that there were 70,700 “business format franchised units” and 8,300 company owned units operating in Australia in 2016 making **79,000 in total**. (Source: Franchising Australia 2016, Franchise Council of Australia / Griffith University report). We think that a product aimed at saving energy costs for franchisees would be very popular, particularly one with no commissions, just a flat fee, and that rapid penetration should be possible with the co-operation and introductions from the franchisors. Following recent adverse publicity in franchising sector, we think that many franchisor groups would be looking to restore their tarnished image by offering something valuable and new to help their franchisees save on their utility bills.

Re item 2, There were **2.1m small businesses** (defined as 0-19 employees) in Australia, according to the 2016 Small Business Counts report by the Australian Small Business and Family Enterprise Ombudsman (see table below). With 1.0m of these sole trader businesses, possibly operated part time, and from home, BID suggested to us the target SME market is somewhere between 1.0m to 2.0m. Still a very useful size.

**Table 1: Business size measured by employment**

Business Size	Count	%
Small (0-19 employees)	2,066,523	97.4
Medium (20-199 employees)	50,995	2.4
Large (200+ employees)	3,717	0.2
<b>Total</b>	<b>2,121,235</b>	<b>100</b>

Source: ABS Counts of Australian Business 8165.0, Feb 2016 and ASBFEO calculations (excludes nano businesses with no GST role)

Regarding item 3, we are intrigued by the notion of an employee model. Would this be offered by large employers to their staff? We note there are **3,700 large employer groups** (> 200 staff) in Australia in 2016 according to the above table.

Regarding item 4, we note that Australia has **9.7m households**, so this a very large potential market. BID has stated in its 30/1/19 quarterly report that it has been working closely with “**a significant Australian third-party consumer brand** over the last three months to launch Billy into the residential marketplace.”

We met with BID last week and understand these plans are still progressing, with a view to a launch in the second half of this calendar year.

### *So who might be the significant consumer brand?*

As an educated guess, we show below a table of the most popular and the most recommended loyalty programs in Australia, according to two different sources.

Most Popular Australian Loyalty Plans Per InternetRetailing.com.au		Members per Annual reports	Household Penetration	Most Recommended Loyalty Programs Per Australian Marketing Institute	
1	Coles Flybuys	8.0	82%	1	Coles Flybuys
2	Woolworths Rewards	10.9	112%	2	Woolworths Rewards
3	Myer One	5.0	52%	3	Qantas Frequent Flyer
4	Priceline Sister Club	6.4	66%	4	Virgin Velocity Frequent Flyer
5	Qantas Frequent Flyer	12.3	127%	5	Myer One
6	Spotlight VIP Club	5.0	52%	6	Commonwealth Bank
7	Virgin Velocity Frequent Flyer	9.1	94%	7	Priceline
8	My Dan Murphy's			8	Accor
9	Ikea Family			9	American Express
10	Event Cinemas Cinebuzz Rewards	2.0	21%	10	IGA
Other possibilities :					
Telstra: No. of Fixed voice & bundled Subs		8.0	82%	NB. TPG (TPM) is 1.9m subs	
iSelect : No. of leads per annum (all products)		4.2	43%		
Average of the above		7.1			
No. of Households in Australia per ABS				9.7	

Source: Internetretailing.com.au 20/6/17; Members per Annual reports; Marketingmag.com.au 2014; iSelect FY18 Annual report

Qantas, Woolworths and Virgin Velocity were the largest loyalty plans on the data that we found. Any of these organisations shown in the table would make excellent partners for BID – some more than others.

Other possibilities would be one of the major banks – again they would be keen to be seen to be doing something to help consumers save on costs. But post Royal Commission, we don't think these are "trusted brands" that BID is ideally looking for.

Telstra, TPG Telecommunications or Optus would be interesting possibilities, as would Australia Post.

The RACV / NRMA / RACQ would be interesting and they have a track record of offering special promotions to their members. But BID would need to negotiate with each organisation on a state by state basis. The RACV has 2.1m members, NRMA 2.6m and RACQ 1.7m, so 6.4m combined for just three states.

One of the large Utility companies is another possibility (eg. Orogan, AGL or Energy Australia), but we rule that out as BidBilly aims to be retailer agnostic.

Finally, the existing comparison web sites such as iSelect or Compare the Market would be a strong possibility. However, they do receive commissions from the utility companies, and in many ways BidBilly will be a competitor to them.

Whilst we await the announcement from BID, we think it is very likely that high quality brand with a significant member database will be chosen. And we think the BidBilly product looks an exciting value add product for them too.

#### *How big could BidBilly be?*

We have studied the data from iSelect's (ISU) annual report and results presentation. In FY18 iSelect received 4.2m leads by phone or through its website, with 2.2m of those being for Energy & Telecoms. ISU's conversion rate was 11.1% for all products and 12.8% for Energy & Telecoms ie customers agreed to switch providers, and ISU earned a commission from the new provider on 285,000 energy & telecomm transactions. Commissions of \$55m in revenue, or \$226 per Energy & Telecom switch that it transacted.

BID's \$49 once only fee per switch for the South Australian trial looks pretty reasonable, if not quite cheap compared to this data (noting that BID has not set its final pricing model yet).

iSelect - FY18 Summary	Health Insurance	Life & General Insurance	Energy & Telecomms	Other	Consolidated Total
Leads	1,036,000	806,000	2,235,000	129,000	4,206,000
Sales (units)	99,100	79,200	285,500	1,200	465,000
Conversion ratio	9.6%	9.8%	12.8%		11.1%
Revenue per sale (\$)	1,037	331	226		425
Operating Revenue (\$m)	89.1	29.3	54.8	8.3	181.4
Ebitda (\$m)	12.4	6.9	1.0	-13.4	6.9
Ebitda Margin	13.9%	23.4%	1.9%		3.8%

Source: ISU FY18 Annual Report & results presentation

## Scenario Analysis

To estimate the revenue potential of BidBilly, we have prepared the matrix below, modelling different penetration scenarios, and using key data points from our earlier discussion above.

BidEnergy (BID) - Phillip Capital "BidBilly" forecast matrix - Australia only

A	Assumed target partner's existing scheme members (million)	7.1 (NB Australia has 9.7m households per the ABS)					
B	Assumed enquiry rate from joint promotions	5.0% Scenario	10.0% Scenario	20.0% Scenario	30.0% Scenario	40.0% Scenario	50.0% Scenario
C	Number of customers reached	355,000	710,000	1,420,000	2,130,000	2,840,000	3,550,000
D	Assumed conversion rates						
	1.0%	3,550	7,100	14,200	21,300	28,400	35,500
	2.0%	7,100	14,200	28,400	42,600	56,800	71,000
	4.0%	14,200	28,400	56,800	85,200	113,600	142,000
	6.0%	21,300	42,600	85,200	127,800	170,400	213,000
	8.0%	28,400	56,800	113,600	170,400	227,200	284,000
	10.0%	35,500	71,000	142,000	213,000	284,000	355,000
	12.0%	42,600	85,200	170,400	255,600	340,800	426,000
	14.0%	49,700	99,400	198,800	298,200	397,600	497,000
	18.0%	63,900	127,800	255,600	383,400	511,200	639,000
	20.0%	71,000	142,000	284,000	426,000	568,000	710,000
E	Potential revenue to BID, assuming retain 60% of \$49 once only fee (less GST)						
	1.0%	\$ 93,933	\$ 187,866	\$ 375,732	\$ 563,598	\$ 751,464	\$ 939,330
	2.0%	\$ 187,866	\$ 375,732	\$ 751,464	\$ 1,127,196	\$ 1,502,928	\$ 1,878,660
	4.0%	\$ 375,732	\$ 751,464	\$ 1,502,928	\$ 2,254,392	\$ 3,005,856	\$ 3,757,320
	6.0%	\$ 563,598	\$ 1,127,196	\$ 2,254,392	\$ 3,381,588	\$ 4,508,784	\$ 5,635,980
	8.0%	\$ 751,464	\$ 1,502,928	\$ 3,005,856	\$ 4,508,784	\$ 6,011,712	\$ 7,514,640
F	10.0%	\$ 939,330	\$ 1,878,660	\$ 3,757,320	\$ 5,635,980	\$ 7,514,640	\$ 9,393,300
	12.0%	\$ 1,127,196	\$ 2,254,392	\$ 4,508,784	\$ 6,763,176	\$ 9,017,568	\$ 11,271,960
	14.0%	\$ 1,315,062	\$ 2,630,124	\$ 5,260,248	\$ 7,890,372	\$ 10,520,496	\$ 13,150,620
	18.0%	\$ 1,690,794	\$ 3,381,588	\$ 6,763,176	\$ 10,144,764	\$ 13,526,352	\$ 16,907,940
	20.0%	\$ 1,878,660	\$ 3,757,320	\$ 7,514,640	\$ 11,271,960	\$ 15,029,280	\$ 18,786,600

Household penetration rate of Base case = F (based on 9.7m households)

Source: Phillip Capital estimates

### Explanation

In row A, we assume BID does a deal with a major Australian consumer brand, which has around 7.1 million members (approx. average of Top 10 loyalty plans plus TLS & iSelect leads).

In row B we assume a marketing penetration rate of 5% to 50% of these members, to derive the number of potential customers reached at Row C.

Item D assumes various conversion rates from 1.0% to 20%, noting that iSelect achieves a 12.8% conversion rate on Energy & Telecoms, and 11.1% across all its products.

Row E shows the potential annual revenue to BID, assuming the South Australian trial fee of \$49 continues, but is split 60% BID /40 % with a trusted big-brand partner. And we assume the \$49 one off fee includes 10% GST, so we net that out too.

#### *Our Base Case – \$49 & 20% x 10% scenario - \$3.7m pa revenue (upside to \$9.4m)*

Our base case is shaded in blue. That is that BidBilly achieves a 20% inquiry rate which drives 1.4 million consumers to the website each year (117,000 per month). Then we assume that a conservative 10% of these people decide to transact by taking up Billy's best deal and paying a \$49 once-only switch fee / 12-mth subscription. **We estimate 142,000 transactions and \$3.757m annual revenue to BID, once established.**

iSelect (ISU) did 288,500 Energy & Telecom transactions in FY18, so if we assume 50% was Energy (144,250) our BID assumptions produce a similar result of 142,000. ISU earns commissions from energy retailers for customers making a switch (\$54.8m in FY18 for energy & telco; say 50% is energy or \$27.4m). BidBilly will charge a one-off fee to the customer, but its quotes will be truly independent with no embedded commissions. So we think the BidBilly model will have a marketing advantage of being independent and transparent. Our \$3.7m revenue estimate for BidBilly looks conservative compared to ISU's \$27.4m.

Another energy comparison website we came across, [www.electricityandgas.com.au](http://www.electricityandgas.com.au) claims an enquiry rate of almost 40,000 per month:

You get access to no-mark up policies from energy providers across Australia, making it easy to find the best deals in your area. This service makes comparison shopping for energy easy, and best of all it's totally cost and obligation free.

Just last month almost 40,000 people chose [ElectricityandGas.com.au](http://ElectricityandGas.com.au) to help them compare, switch and save.

**Cheaper bills are only a few clicks away. Why not join them?**

Source: www.electricityandgas.com.au

Costs to BID should be low, as the system is already built, BID already has the data, and the service will be provided robotically on a self-service basis (ie. No call centre costs). Also by using the trusted partner's database the advertising and marketing spend should be low. We have allowed \$200k pa of additional marketing costs from FY20 onwards for this product.

Significantly higher revenues are possible if we use higher penetration and conversion rates, as shown above. **There is upside to \$7.5m pa if the conversion rate is 20%. Or to \$9.4m if the marketing enquiry rate is 50% not 20%.**

Significantly higher revenues are also possible if BID charges a higher conversion fee, or if it negotiates a better revenue share with the Go-to-Market partner.

#### *Our Estimates*

We have decided to use row F for our forecasts. We assume \$0.2m revenue in FY20 (start up year), \$0.9m of revenue for FY21 (5% marketing penetration rate), \$1.8m in FY22 (10% penetration rate), \$3.7m in FY23 (20% penetration rate), and \$5.6m in FY24 (30% penetration). We will refine our forecasts as more information becomes available. Or DCF valuation for BidBilly for Australia only is about \$51m or \$0.47 per share.

#### *International Potential*

We have modelled a base case annual revenue to BID of \$3.7m for Australia alone, on a \$49 & 20% x 10% scenario.

Unless BidBilly is a total failure in Australia, we think there is also significant potential for BidBilly in the UK and USA where BID is also now getting established and winning some quality customers, such as BP and JoAnn Stores. Other European markets and Asia are also distinct possibilities.

These markets are significantly larger than Australia.

## Review of Interim Results

We analyse below BID's results for the 6 months ended December 2018. The key points are:

- 55% growth in the half in platform subscription revenues.
- RWW revenue up 4% in A\$ terms, flat in USD terms.
- Annualised contracted revenue value (ACV) \$5.9m +28% on June 18 (\$4.6m), and up +228% on Dec 17 pcp (\$1.8m).
- Underlying EBITDA is before capitalised staff costs, and before share-based payments. We consider the underlying Ebitda loss of \$1.8m to be modest given the growth, international expansion, and product expansion underway.
- Reported NLoss of \$2.3m is modest given the growth and business development activities underway.

BidEnergy Limited (BID) - Worldwide Years ended June (A\$m)	1H18a	2H18a	1H19a	1H19 Vs 1H18	1H19 Vs 2H18	Comments
Platform subscription fees	0.9	1.0	1.4	55%	31%	Very strong growth in energy spend management platform subs
RWW rebate revenue & other	1.4	0.8	1.4	4%	81%	Flat in USD terms; NB H2 is seasonally lower than H1
<b>BidBilly</b>						
<b>Total Revenue</b>	<b>2.2</b>	<b>1.8</b>	<b>2.8</b>	<b>24%</b>	<b>53%</b>	Strong growth overall
<b>Operating expenses</b>						
Third party support costs	-0.3	-0.4	-0.6	68%	57%	
Admin expense	-0.5	-0.4	-0.7	31%	61%	
Employee benefits expense	-3.0	-2.5	-3.0	-3%	18%	
Marketing expense	-0.2	-0.1	-0.1	-63%	-22%	
Travel expense	-0.1	-0.1	-0.1	22%	74%	
Occupancy expense	-0.2	-0.1	-0.2	-9%	24%	
<b>Total operating expenses</b>	<b>-4.4</b>	<b>-3.6</b>	<b>-4.6</b>	<b>5%</b>	<b>27%</b>	
<b>Underlying Ebitda</b>	<b>-2.1</b>	<b>-1.8</b>	<b>-1.8</b>	<b>-15%</b>	<b>1%</b>	Modest losses despite strong growth & international expansion
Ebitda Margin	-0.9	-1.0	-64.6%			
Government grant income	0.1	0.2	0.1	-25%	-62%	
Capitalised labor (software)	0.5	0.4	0.5	5%	15%	Modest capitalisation of costs; Building new products
Share based payments	0.0	-0.3	-0.9	6104%	178%	
FX gains (losses)	-0.1	0.3	0.0	-102%	-100%	
<b>Reported Ebitda</b>	<b>-1.6</b>	<b>-1.1</b>	<b>-2.1</b>	<b>30%</b>	<b>83%</b>	Modest losses despite strong growth & international expansion
Depreciation & amortisation	-0.3	-0.4	-0.2	-28%	-50%	
<b>EBIT</b>	<b>-1.9</b>	<b>-1.6</b>	<b>-2.3</b>	<b>21%</b>	<b>47%</b>	
Interest income (expense)	0.0	0.0	0.0	28%	-25%	
<b>Profit before tax</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-2.3</b>	<b>21%</b>	<b>49%</b>	
Tax credit (expense)	0.0	0.0	0.0	139%	456%	
<b>NPAT (reported ex NRIs)</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-2.3</b>	<b>20%</b>	<b>49%</b>	
Non-recurring items (NRIs):						
IPO costs						No abnormalities in 1H19.
Ameresco transaction costs & break fee	-0.6	-0.1				No abnormalities in 1H19.
Reorganisation costs	-0.5	0.0				No abnormalities in 1H19.
<b>NPAT (Reported)</b>	<b>-2.9</b>	<b>-1.6</b>	<b>-2.3</b>	<b>-22%</b>	<b>40%</b>	
Add back: NRIs	1.0	0.1	0.0			
<b>NPAT (Normalised)</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-2.3</b>	<b>20%</b>	<b>49%</b>	

Source: Company reports

### Cash Flow Statement

- Operating cash flow was -\$1.0m (Vs -\$2.4m pcp).
- Investing cash flow was a \$0.2m outflow, comprising government grants received of \$0.4m offset by \$0.5m of capitalised development costs.
- Overall cash decreased by -\$1.2m from \$5.3m at June 2018 to \$4.1m at Dec 18.

### Balance Sheet

- Net cash \$4.1m (Vs \$5.3m at June 2018).
- Debtors \$0.3m (Vs \$0.2m at June 2018). Debtor days 21.5 days Vs 33 days. Some customers pay subscriptions in advance.
- Intangibles \$2.0m (Vs \$2.0m), comprises goodwill on the RWW acquisition \$0.7m, customer lists \$0.1m, and brand-name \$0.4m. And capitalised software development costs \$0.850m.
- No debt.
- Creditors \$0.6m (Vs \$0.4m). Creditor days 38 Vs 30 pcp. This looks OK. BID is paying its creditors reasonable quickly.
- Shareholders funds \$5.2m (Vs \$6.5m at June 2018).
- Accumulated losses \$19.2m. These comprised \$5.3m at the time of the IPO in June 2016, plus a further \$13.9m accumulated in the 2.5 years since the IPO.

- We expect a further \$2.9m of NLosses in 2H19 and FY20 before profitability is achieved in FY21. So \$22.9m of establishment losses to build a globally scalable, niche business. Looks pretty reasonable to us.

## Review of March Quarterly Report

Key points from the latest quarterly report released yesterday were as follows:

- Underlying group revenue \$1.2m up 50% on the pcp (\$0.8m), but down -20% on the December quarter (\$1.5m).
- YTD revenue for the 9 months \$4.0m (Vs \$3.0m) +31%.
- Platform subscription revenue \$0.8m for the quarter up 60% on the pcp (\$0.5m), and up 14% on the Dec quarter (\$0.7m).
- RealWinWin rebate capture revenue \$0.4m for the quarter up 33% on the pcp (\$0.3m), but down 50% on the Dec quarter (\$0.8m).
- Unique client numbers 81 (Vs 48) up +33 (69%) on the pcp and up 6 (+8%) for the quarter (Vs 75). The BID platform now has 100 unique country-based agreements.
- 7 new customers in Australia – Pacific Smiles, Hurley Hotels, Banyule Council (Vic), Sodexho, ISS Facility Services Australia, Pacific National, and a large Australian global packaging company.
- 2 new customers in the USA – Aqua America, a large US water and waste management company which is a significant electricity user in its own right, and Country Meadows (hotel chain?).
- Cushman & Wakefield on-boarding continuing for a 1/7/19 start – Now 17 (was 16) large indirect customers to be serviced under the blanket agreement.
- UK – British Petroleum renewed their agreement for a further 3 years from July 2019.
- UK - On-boarding has commenced for the first batch of clients for Catalyst Commercial, a leading UK TPI (third party independent broker) with 4,000 meters in total to be on-boarded soon.
- RealWinWin (RWW) division also recorded a number of good quality customer wins as follows:
  - O'Reilly Auto Parts (website says 5,200 stores in 47 states)
  - Ulta Beauty (website says it has 1,174 retail stores across 50 states)
  - CarMax (NYSE: KMX, Market cap US\$13.0bn; website says it has 195 locations in the US)
  - Sonesta International Hotels (website says it has 70 properties in 8 countries, including 54 in the USA)

## *Wholesale SaaS products - Software Services to Utilities & Brokers*

BID has noted “significant traction” and “numerous discussions ...in three continents” for BID to provide bill validation and management services (including automation) to Utility companies and brokers as a new wholesale product(s). Lots of progress here:

- UK – BID is working with facilities management (FM) customer, Bellrock Group's across their portfolio (> 50 utility supplies) to provide additional value to Bellrock's customer base and integration with their “Concerto” FM system.
- UK – BID has entered into a Heads of Terms with LG Energy Group, a leading UK TPI, with LG expected to commence using the BID platform from November 1, 2019.
- USA – new long-term white label agreement with Correlate Inc, an energy optimisation specialist operating on the US West coast and Texas. BID and Correlate are on-boarding 12 initial mid-market regional brand clients (not yet included in BID's client count), will co-fund a specialist team to target SMEs, retail energy partners and Utilities, and are in discussion with an energy retailer to provide a white label portal service for its brokers and clients.

- USA – Partnership agreement signed with Apollo Edison USA, a privately owned outsourced energy consultancy firm. The agreement is for BID's energy spend management (ESM) platform and auction platform solutions. BID says this will fast-track its US market entry, and leverages Apollo's portfolio of customers in the commercial, industrial and government sectors across the major digitised energy markets such as California (CAISO), Mid-Atlantic (PJM), New England (NEISO), New York (NYISO) and Texas (ERCOT).
- BID says the auctions with Apollo Edison commence in May, and that there are "immediately available" cross-selling opportunities for the energy spend management (ESM) platform and for the RWW rebate capture business.

### BID Strategy Day

We attended the Strategy Day in Melbourne on 4 February 2018. This was an extremely informative presentation, and we recommend investors look through the ASX presentation of that date.

The session also included three very useful and positive presentations by customers – Nando's, Toll Group and The Salvation Army which we thought provided strong independent evidence of the benefits and potential longevity of the BID platform in helping these customers overcome the challenges of managing energy costs across numerous sites, and hundreds, or thousands of bills. And then to maximise the procurement benefit in re-tendering their energy purchases.

## Management

### **Andrew Dyer, Chairman**

#### **Appointed a NED 16/7/18; appointed Chairman 21/1/19**

Qualifications: Bachelor of Engineering, MBA.

Experience and expertise: Mr Dyer's career includes extensive experience in sales and operational roles across a range of industries including information technology, energy, telecommunications and professional services. He has held senior executive and operational positions in Australia and the United States including roles at IBM, SMS Management and Technology, Indus International and Florida Power & Light Group.

Mr Dyer has considerable experience in government, government relations and international trade. He is the former Commissioner to the Americas for the Victorian government, and currently serves as the National Wind Farm Commissioner for the Federal government reporting to the Australian Parliament.

In addition to his professional and executive career, Mr Dyer has extensive governance experience as a Chairman and non-executive director. He has served as chair and as a director of numerous private and public sector organisations spanning a wide range of sectors including energy, utilities, telecommunications, insurance, health, education, arts, retail and wholesale distribution.

Mr Dyer is a Professional Fellow at Monash University, holds a Bachelor of Engineering with first class honours from Monash University, and an MBA from Georgetown University in Washington DC. He is a member of the Australian Institute of Company Directors.

### **Guy Maine, Managing Director**

#### **Appointed 17/1/18**

Experience and expertise: Mr Maine has extensive experience building businesses and developing markets for new technology products for leading Australian service providers having held integral executive roles at SingTel Optus, Virgin Mobile and FOXTEL including General Management, Director of Sales and Executive Director respectively.

Mr Maine was responsible for the launch of Optus prepaid mobile phones in Australia, as well as securing new distribution channels and driving retail strategy. As Director of Sales for Virgin Mobile, Mr Maine worked with a focussed team to launch the challenger brand in 2000 to profitability, before joining FOXTEL in 2003 as Director of Sales. At FOXTEL Mr Maine worked with the core executive team and an internationally credentialed Board on its consumer challenge to convert to digital and heighten consumer growth, and later became an Executive Director of the company.

### **Leanne Graham, Non-executive director**

#### **Appointed 28/7/16**

Experience and expertise: Ms Graham is one of New Zealand's few female IT entrepreneurs with over 30 years' experience at the highest levels in the software sector. She has built a name for herself by enabling multiple cloud, mobility and SaaS companies to maximise their global go to market opportunities. Leanne holds a number of directorships on both public and private companies in Australia and New Zealand as well as sits on a number of advisory boards globally.

She was the General Manager of Sales at Xero (ASX: XRO) and was the architect of their global sales strategy around 'recruit, educate and grow', a key channel strategy used to build Xero's customer base in New Zealand, Australia, United Kingdom and the United States. Through her strategic investment company Cloud Rainmakers Ltd, she assists technology companies to identify how they can develop strategic partnerships and disrupt an industry to become export successes.

*Senior Management***Anthony Du Preez, Chief Technology Officer, co-founder and former Managing Director**

Qualifications: Bachelor of Engineering, MBA.

Mr du Preez is an experienced entrepreneur having founded and built a number of globally scalable technology companies including [www.adslot.com](http://www.adslot.com) (ASX: ADJ), [www.bidenergy.com](http://www.bidenergy.com), [www.tradeslot.com](http://www.tradeslot.com) and [www.carbonnavigator.com](http://www.carbonnavigator.com).

Previously, Anthony worked as business development executive for Honeywell Aerospace division in the North American and European markets.

Anthony has a first class honours systems engineering degree and an MBA from the Melbourne Business School.

**Matthew Watson, Chief Financial Officer**

Qualifications: Chartered Accountant and holds a Bachelor of Commerce from the University of Melbourne.

Experience and expertise: Mr Watson has 15+ years of experience in financial roles at venture-backed private and listed companies. This includes significant experience managing international expansion of SaaS (software as a service) and IoT (internet of things) industries. Matthew was previously Financial Controller at PageUp, an Australian SaaS-based talent management software provider. Matthew also held management roles at ASX-listed Tabcorp and Deloitte.

## Directors Shareholdings and Substantial Shareholders

### Directors' shareholdings

BID currently has 3 directors. All three have increased their shareholdings with on-market purchases during FY19.

BID - Directors Shareholdings	FY17 Ann Report (adj for split)	FY18 Ann Report (adj for split)	Latest	Change	% of Coy
<b>Andrew Dyer, Chairman (NED since 17/7/18; App Chair on 21/2/19) - Shares</b> Andrew Dyer, Chairman - K class Options (\$1.19, 26/11/22)	0	86,000 294,118 (3/4/19)	86,000 294,118	86,000 294,118	0.08%
<b>Guy Maine, MD (appointed 17/1/18) - Shares</b> Guy Maine, MD - J class Options (\$0.136, 16/1/22)	80,213 2,205,883	143,977 2,205,883 (2/4/19)	63,765 0	63,765 0	0.13%
<b>Leanne Graham (appointed NED 28/7/16) - Shares</b> Leanne Graham (appointed NED 28/7/16) - unlisted Options (68c, 28/7/20) Leanne Graham - K class options (\$1.19, 26/11/22)Performance Rights	73,530	161,765 73,530 73,530 294,118 (27/2/19)	184,235 0 22,470	22,470 0 294,118	0.17%
<b>Sub-total - Ordinary Shares</b>		241,977	414,212	172,235	0.38%
<b>Ex Directors:</b>					
<b>James Baillieu (ex Chairman, resigned 22/2/19) - Shares</b>	8,413,207	9,442,618 Sold			
<b>Anthony Du Preez (ex exec dir, resigned 13/2/19) - Shares</b> Anthony Du Preez (ex exec dir, resigned 13/2/19) - Performance Shares	5,071,106 1,762,578	6,833,684	No change per Thomson Reuters		
<b>Robert Browning (ex Chairman, resigned 18/11/17) - Shares</b> Robert Browning (ex Chairman, resigned 18/11/17) - Performance shares	982,080 341,344	1,323,425 0			
<b>Phil Adams (ex MD, resigned 18/11/17) - Shares</b> Phil Adams (ex MD, resigned 18/11/17) - Performance Rights	0 2,794,118	0 0			
<b>Stuart Allinson (ex exec dir, resigned 17/11/17) - Shares</b> Stuart Allinson (ex exec dir, resigned 17/11/17) - Performance Shares Stuart Allinson (ex exec dir, resigned 17/11/17) - Performance rights	2,142,721 744,751 26,869	2,887,472 0 26,869	No change per Thomson Reuters		
<b>Total Directors &amp; ex Directors</b>	21,580,684	20,729,176			

Source: BID Annual reports and ASX announcements; Thomson Reuters

### Substantial Shareholders

BID has two substantial shareholders, we understand both high net worth investors.

BID currently has no institutional investors in the Top 20 that we can see (per Thomson Reuters).

It is encouraging to see that three of the original founders remain large shareholders, suggesting a degree of confidence in the company and its strategy.

Substantial Shareholdings / Top 5 Shareholders	FY18 Annual Report	Latest	% of Coy
Blue Lagoon International Corp (British Virgin Islands)	7,759,849	7,759,849	7.0%
Merriwee Pty Ltd	6,250,000	6,250,000	5.7%
Auction Design Pty Ltd (Du Preeze Family A/c)(co-founder)	5,071,106	5,071,106	4.6%
James Baillieu	9,001,442	0	0.0%
Carolyn Palmer (co-founder family)	2,887,472	2,887,472	2.6%
Allinson Trauts Pty Ltd (co-founder)	2,887,472	2,887,472	2.6%
<b>Total Shares on Issue</b>		110,114,243	100.0%

Source: FY18 Annual reports; Thomson Reuters

BidEnergy Limited (BID)		\$ 0.680		
Profit & Loss				
Year end June	FY18	FY19e	FY20e	
	A\$m	A\$m	A\$m	
Op. Revenue	4.1	5.4	9.7	17.4
Cost of Goods Sold	0.0	0.0	0.0	0.0
<b>Gross Profit</b>	<b>4.1</b>	<b>5.4</b>	<b>9.7</b>	<b>17.4</b>
<b>Gross Profit Margin</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Other Income	0.3	0.1	0.1	0.1
Cash Operating Expenses	(7.2)	(10.0)	(11.3)	(12.4)
<b>EBITDA</b>	<b>-2.8</b>	<b>-4.5</b>	<b>-1.5</b>	<b>5.1</b>
<b>Ebitda Margin</b>	<b>-68.0%</b>	<b>-82.8%</b>	<b>-15.4%</b>	<b>29.4%</b>
Depreciation & Amort	(0.7)	(0.4)	(0.5)	(0.6)
<b>EBIT</b>	<b>-3.5</b>	<b>-4.9</b>	<b>-2.0</b>	<b>4.5</b>
<b>Ebit Margin</b>	<b>-85.3%</b>	<b>-90.2%</b>	<b>-20.6%</b>	<b>26.0%</b>
Net Interest Income (Expense)	0.1	0.1	0.1	0.1
Share of Assoc NPAT	0.0	0.0	0.0	0.0
<b>Pre-tax profit</b>	<b>-3.4</b>	<b>(4.8)</b>	<b>(1.9)</b>	<b>4.6</b>
Income Tax Credit (Expense)	0.0	0.0	0.0	0.0
<b>Tax Rate</b>	<b>-0.3%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Minorities (share of loss)	0.0	0.0	0.0	0.0
Abnormals	-1.1	0.0	0.0	0.0
<b>NPAT (reported)</b>	<b>-4.5</b>	<b>-4.8</b>	<b>-1.9</b>	<b>4.6</b>
Adjustments (Abnormals)	1.1	0.0	0.0	0.0
<b>NPAT (normalised)</b>	<b>-3.4</b>	<b>-4.8</b>	<b>-1.9</b>	<b>4.6</b>
Balance Sheet				
Cash	5.3	3.6	4.3	8.8
Receivables	0.2	0.3	0.6	1.1
Inventories	0.0	0.0	0.0	0.0
Other	0.1	0.2	0.2	0.2
<b>Total current assets</b>	<b>5.6</b>	<b>4.1</b>	<b>5.1</b>	<b>10.1</b>
PP&E	0.0	0.0	0.0	0.0
Investments	0.0	0.1	0.1	0.1
Intangibles	2.0	1.3	1.3	1.3
Deferred tax assets	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.1	0.1
<b>Total non-current assets</b>	<b>2.1</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
<b>Total Assets</b>	<b>7.7</b>	<b>5.6</b>	<b>6.5</b>	<b>11.5</b>
Payables	-0.4	-0.6	-1.1	-2.0
Interest bearing liabilities - Current	0.0	0.0	0.0	0.0
Provisions	-0.2	-0.2	-0.2	-0.2
Other	-0.4	-0.4	-0.4	-0.4
<b>Total Current Liabilities</b>	<b>-0.9</b>	<b>-1.2</b>	<b>-1.7</b>	<b>-2.6</b>
Interest-bearing liabilities - Non-curr	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0
Other	-0.2	-0.2	0.4	0.9
<b>Total Non-current Liabilities</b>	<b>-0.2</b>	<b>-0.2</b>	<b>0.4</b>	<b>0.9</b>
<b>Total Liabilities</b>	<b>-1.5</b>	<b>-1.5</b>	<b>-1.3</b>	<b>-1.7</b>
<b>Total Shareholders' Equity</b>	<b>6.5</b>	<b>4.1</b>	<b>5.2</b>	<b>9.8</b>
Interims				
Year end June	1H18	2H18	1H19A	2H19e
Sales	2.2	1.8	2.8	2.7
<b>Sales Growth (g)</b>			<b>23.8%</b>	<b>45.7%</b>
<b>EBITDA</b>	<b>-1.6</b>	<b>-1.1</b>	<b>-2.1</b>	<b>-2.4</b>
<b>EBITDA Margin</b>	<b>-72.0%</b>	<b>-63.0%</b>	<b>-75.4%</b>	<b>-90.7%</b>
EBIT	-1.9	-1.6	-2.3	-2.6
Equity Share of Assocs NPAT	0.0	0.0	0.0	0.0
NPAT (Reported)	-2.9	-1.6	-2.3	-2.5
<b>NPAT (Adjusted)</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-2.3</b>	<b>-2.5</b>
<b>EPS (adjusted)(cents)</b>	<b>-2.0</b>	<b>-1.4</b>	<b>-2.1</b>	<b>-2.3</b>
<b>EPS Growth</b>			<b>3.4%</b>	<b>68.8%</b>
DPS (cents)	0.0	0.0	0.0	0.0

Source: Phillip Capital estimates

Per share & Ratio data			
Year end June	FY18	FY19e	FY20e
Shares on Issue - Wave (f/d)	0.0	110.1	116.6
Shares on Issue - at year-end	108.9	113.7	116.6
Reported EPS (cents)	(4.5)	(4.4)	(1.6)
<b>Growth</b>	<b>-70.2%</b>	<b>-2.5%</b>	<b>-62.7%</b>
P/E ratio (x)	-15.2x	-15.6x	-41.9x
<b>EPS (normalised)(cents)</b>	<b>(3.4)</b>	<b>(4.4)</b>	<b>(1.6)</b>
<b>Growth</b>	<b>-73.0%</b>	<b>29.8%</b>	<b>-62.7%</b>
P/E ratio (x)	-20.2x	-15.6x	-41.9x
DPS (cents)	0.0	0.0	0.0
Franking	0%	0%	0%
<b>Yield</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
OCF per share (cents)	-3.1	-3.1	-1.0
Price/OCF (x)	-21.8x	-22.3x	-67.0x
Enterprise Value \$m	68.9	71.6	71.1
EV/ Sales	17.0x	13.2x	7.3x
<b>EV/EBITDA</b>	<b>-24.9x</b>	<b>-15.9x</b>	<b>-47.6x</b>
EV/EBIT	-19.9x	-14.6x	-35.7x

Liquidity & Leverage			
Net Cash (Debt) \$m	5.3	3.6	4.3
Net Debt / Equity %	-82%	-87%	-82%
Net Debt / EBITDA	1.9x	0.8x	2.8x
ROA (EBIT / T.Assets) %	-45.2%	-88.0%	-30.6%
ROE (NPAT / T.Equity) %	-52.1%	-116.9%	-36.6%
Interest Cover (EBIT)	51.1x	49.0x	19.9x
Dividend Payout % (of adj EPS)	n/a	n/a	n/a

Cash Flow			
EBITDA	-2.8	-4.5	-1.5
Chge in Working Capital	-0.3	0.1	0.2
Interest Received (Paid)	0.1	0.1	0.1
Income taxes paid	0.0	0.0	0.0
Other	-0.2	1.0	0.0
<b>Operating cash flows</b>	<b>-3.2</b>	<b>-3.4</b>	<b>-1.2</b>
Capex	-0.5	-0.1	-0.1
Acqns & Investments	0.0	-0.1	0.0
Government Grants received	0.0	0.4	0.0
Other (Capitalised R&D)	-0.9	-1.0	-1.0
<b>Net investing cash flows</b>	<b>-1.3</b>	<b>-0.8</b>	<b>-1.1</b>
Equity raised (bought back)	6.2	2.4	3.0
Dividends paid	0.0	0.0	0.0
Change in Debt	0.0	0.0	0.0
Other	0.0	0.0	0.0
<b>Financing cash flow</b>	<b>6.2</b>	<b>2.4</b>	<b>3.0</b>
<b>Change in Cash</b>	<b>1.7</b>	<b>-1.7</b>	<b>0.7</b>

Revenue by Sector			
BID platform - Australia & NZ	2.0	2.6	4.0
BidBilly - Australia	0.0	0.0	0.2
BID platform - UK	0.0	0.1	0.8
BID platform - USA	0.0	0.2	1.4
BID platform - Asia (to come)			
<b>Platform - Total</b>	<b>2.0</b>	<b>2.9</b>	<b>6.5</b>
RWW rebate revenue - USA	2.1	2.5	3.2
<b>Total Revenue</b>	<b>4.1</b>	<b>5.4</b>	<b>9.7</b>
Revenue Growth	55%	34%	78%
			80%

Major Shareholders			
Blue Lagoon Intl Corp (British Virgin Islands)	7.760	7.0%	
Merriwee Pty Ltd	6.250	5.7%	
Auction Design Pty Ltd (Du Preeze Family A/c)	5.071	4.6%	
Carolyn Palmer (co-founder family)	2.887	2.6%	
Allinson Trauts Pty Ltd (co-founder)	2.887	2.6%	

Source: Thomson Reuters

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Buy	Accumulate	Hold	Reduce	Sell
>20%	10% – 20%	0% – 10%	0% to -10%	>-10%

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

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