

## BidEnergy (BID)-Software as a Service

Q1 Report and Placement – Step change in Meters, Revenue & Costs

31 October 2019

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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) and energy procurement platform for electricity, gas and water for multi-site organizations in Australia, NZ, UK and the USA. BID's US subsidiary also manages the outsourced process of enterprises claiming energy efficiency project rebates.</p> <p><b>September Quarterly Report</b></p> <p>BID has produced further strong improvements in Q1:</p> <ul style="list-style-type: none"> <li>Unaudited Q1 revenue \$2.0m up 47% on Q4 and up \$670k or 54% on the pcp of \$1.3m.</li> <li>Annualised group revenue \$8.1m up 35% on Q4 and up 72% on the pcp of \$4.7m. Annualised ESM platform revenue \$5.4m up 17% on Q4 and up 100% on the pcp.</li> <li>Q1 cash receipts \$2.2m (v \$1.3m Q4 +62%) (v \$1.3m pcp up 60%).</li> <li>7 new customers signed making 117 in 4 countries.</li> <li>115,000 meters under contract (v 85k at June +35% and up 417% on the 22k pcp. (We est.50k live at 30/9/19). Management have an aspirational target of &gt;1m meters under management in a few years.</li> </ul> <p>However costs ramped up significantly too:</p> <ul style="list-style-type: none"> <li>Q1 cash expenses \$3.7m (v \$2.7m Q4 + \$951k or 35%) and (v \$2.1m pcp up 75%).</li> <li>Cash costs were \$10.0m in FY19 (including \$1.0m of development costs capitalised) and now seem to be running at \$14.7m annualised, up \$4.7m or 47%.</li> <li>BID estimates cash costs for Q2 will be \$4.0m (excluding \$337k underwriting costs and \$100k non-recurring) so now annualising at \$16.0m. This includes expected new sales marketing and support hires in UK, USA and Aust.</li> <li>Q1 was an Operating Cash Outflow of \$1.52m (v \$1.39m outflow in Q4 +9%) (v \$754k outflow pcp up 102%).</li> <li>Net cash at September 30 was \$3.2m. BID has since raised \$5.1m in a placement to accelerate expansion in both the UK and Euro markets (and the USA) with increased investment in local sales and operational support. An SPP could raise up to a further \$1.5m.</li> </ul>	<p><b>Risk Rating</b> <b>High</b></p> <p><b>24-mth Target Price (AUD)</b> <b>\$1.55 (was \$1.90)</b></p> <p>Share Price (AUD) \$0.58</p> <p>12-mth Price Range \$0.45 - \$1.76</p> <p>Forecast 12-mth Capital Growth 167%</p> <p>Forecast 12-mth Dividend Yield 0.0%</p> <p><b>12-mth Total Shareholder Return</b> <b>167%</b></p> <p>Market cap (\$m) 72.5</p> <p>Net debt (net cash) (\$m) (Oct 19e) (8.0)</p> <p>Enterprise Value (\$m) 64.5</p> <p>Gearing (Net Debt/ Equity) N/a – Net Cash</p> <p>Shares on Issue (m) 125.0</p> <p>Sector Information Technology</p> <p>Average Daily Value Traded (\$) \$387,000</p> <p>ASX 300 Weight n/a</p>	

Financial Forecasts & Valuation Metrics					
Years ending June \$m	18(A)	19(A)	20(e)	21(e)	22(e)
Sales revenue	4.1	5.3	8.8	14.9	22.6
Sales growth	55%	30%	67%	68%	52%
EBITDA	-2.8	-6.1	-8.3	-3.3	3.3
NPAT (reported)	-4.5	-6.6	-8.8	-3.9	2.6
NPAT (adjusted)	-3.4	-6.6	-8.8	-3.9	2.6
EPS (adjusted)	-3.4	-6.0	-7.1	-3.0	1.9
EPS growth	73%	-78%	-19%	large	large
DPS	0.0	0.0	0.0	0.0	0.7
P/E	-17.3	-9.7	-8.1	-19.6	31.1
EV / Ebitda	-21.0	-10.2	-8.4	-21.1	19.6
Yield	0.0%	0.0%	0.0%	0.0%	1.3%
Net debt / equity	net cash				

Source: Phillip Capital estimates

### BID SHARE PRICE PERFORMANCE



### Recommendation – 24mth Price Target \$1.55

Our forecasts are reduced materially for the largely discretionary step change in costs. Whilst we agree with the strategy of management going hard whilst BID has a strong competitive advantage, it has reduced our valuation materially. Our 24-month price target is now \$1.55 per share (previously \$1.90, -20%). However, the current market cap of \$73m continues to look undemanding for the global potential of the established SaaS business and the demonstrated strong revenue and customer growth.

## Changes in Estimates

We have made the following changes to our forecasts:

- FY20 Ebitda loss of \$8.2m forecast (previously a \$3.7m loss).
- FY21 Ebitda loss of \$3.3m forecast (previously a \$1.4m profit).
- FY22 Ebitda profit of \$3.3m forecast (previously a \$7.2m profit).
- Increased shares on issue by 7% for the placement. We will adjust for the SPP when the final take up is known (closing date 1 November). We note that the current share price is slightly below the \$0.58 per share SPP price, although the free option may more than compensate for that.
- Expected increase in costs to drive market share penetration. We allow an extra \$4.5m in FY20 (cash costs of \$15.7m less \$1.0m development costs expected to be capitalised) and \$4.7m in FY21 (cash costs of \$16.8m less \$1.0m capitalised).
- No major changes to our revenue forecasts for FY20 and FY21 as it takes time to win and then implement large deals (eg the Cushman & Wakefield contract was announced in Dec 2018 and will be implemented by end Nov 19).
- We increase our FY22 revenue forecast by 5% for the increased sales and marketing resources being invested.
- Our modelling assumes BID achieving 500,000 meters under management within 3 years (FY22) and 1.0m in 5 years (FY24). We understand management is aiming to exceed 1.0m meters faster than our assumptions, but we prefer to be conservative.

BID is in paid trials with some large utility companies and other large organisations which sounds very promising. If converted to on-going contracts, these types of customer wins could see us upgrade our estimates. BID has proven that it can win major customers in Australia (eg. Origin Energy and Cushman & Wakefield), but we need proof that it can do the same in the UK and USA.

New customer wins to date in the UK have primarily been "low rate meters" with TPI's (brokers) in the small business / SME space. And similarly in the USA. We understand that BID is currently deliberately pursuing smaller more manageable accounts overseas, which assists in the on-boarding process, and gradually building out BID's database to include bill formats and pricing schedules from all major energy and water utilities. In 1-2 years, BID will be ready to pitch for very large accounts (eg. Single accounts with 20-30-40,000 sites or meters).

Changes in Estimates Years ending June \$m	FY18A	FY19A	FY20e			FY21e			FY22e			
			Old	New	Change	Old	New	Change	Old	New	Change	
Contracted meters at yr end less: meters yet to be onboarded	21,518	85,182										
Est "live" meters under mgt at yr end	-1,000	-49,000										
Live meters under mgt - Growth %	<b>20,518</b>	<b>36,182</b>	<b>344%</b>	<b>160,700</b>	<b>160,700</b>	<b>0.0%</b>	<b>305,110</b>	<b>305,110</b>	<b>0.0%</b>	<b>409,333</b>	<b>500,413</b>	<b>22.3%</b>
Sales revenue	4.1	5.3	8.9	8.8	-0.3%	14.9	14.9	-0.2%	21.6	22.6	4.9%	
Sales growth %	55%	30%	67%	67%		68%	68%		45%	52%		
Ebitda before share based payments	<b>-2.4</b>	<b>-3.6</b>	<b>-1.2</b>	<b>-5.8</b>	<b>-364.0%</b>	<b>3.9</b>	<b>-0.8</b>	<b>-120.5%</b>	<b>9.7</b>	<b>5.8</b>	<b>-40.6%</b>	
Share-based payments	-0.3	-2.5	-2.5	-2.5	0.0%	-2.5	-2.5	0.0%	-2.5	-2.5	0.0%	
EBITDA	<b>-2.8</b>	<b>-6.1</b>	<b>-3.7</b>	<b>-8.3</b>	<b>-120.7%</b>	<b>1.4</b>	<b>-3.3</b>	<b>-329.8%</b>	<b>7.2</b>	<b>3.3</b>	<b>-54.7%</b>	
NPAT (reported)	<b>-4.5</b>	<b>-6.6</b>	<b>-4.4</b>	<b>-8.8</b>	<b>-97.2%</b>	<b>0.7</b>	<b>-3.9</b>	<b>-628.8%</b>	<b>6.5</b>	<b>2.6</b>	<b>-60.6%</b>	
NPAT (norm)	-3.4	-6.6	-4.4	-8.8	-97.2%	0.7	-3.9	-628.8%	6.5	2.6	-60.6%	
EPS (norm)	<b>-3.4</b>	<b>-6.0</b>	<b>-3.8</b>	<b>-7.1</b>	<b>-89.0%</b>	<b>0.6</b>	<b>-3.0</b>	<b>-595.9%</b>	<b>5.0</b>	<b>1.9</b>	<b>-62.7%</b>	
DPS	0.0	0.0	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.7	n/a	
Balance Sheet:												
Net cash (debt)	5.3	4.2	2.9	3.5	19.4%	7.4	3.2	-56.9%	17.0	9.0	-47.1%	
Shares on issue at year end (m)	108.9	113.8	117.9	126.1	7.0%	123.9	132.1	6.6%	129.1	139.8	8.3%	
Valuation: DCF valuation (F/D, ex BidBilly Aust)			\$ 1.94	\$ 1.55	-19.8%							

Source: Phillip Capital estimates

## Valuation & Recommendation

Our DCF valuation is reduced by 20% to \$1.55 per share (previously \$1.94).

We expect strong revenue growth and customer expansion, but still two more years of losses and negative cash flows, before turning positive in FY22.

At the current market cap (post-placement) of \$73m, BID continues to look attractive to us for an established SaaS business with significant global expansion potential. BID's current market penetration of 115,000 meters under management is less than 1% in each of its current markets.

BID - Initial Target Market		Enterprise Customers at 30/9/19	BID Est. "Live" Meters under Mgt at 30/9/19	BID Contracted Meters under Mgt at 30/9/19	Market No. of Elec Meters (m)	BID Penetration (contracted meters)	Status
Australia & NZ	98	40,000	61,000	12.9	0.473%		Launched FY13; KPMG channel partner Nov 16; Cushman Dec 18; Origin C&I Aug 19.
UK	9	7,000	41,000	46.3	0.089%		1st client BP live Jan 18
USA	10	3,000	13,000	150.0	0.009%		RWW acqd Nov 16. 1st ESM cust Mar 17, 1st cross-sell Nov 18 (JoAnn)
Eliminations	-18						
<b>Current (Sep 2019) Proposed new markets:</b>	<b>99</b>	<b>50,000</b>	<b>115,000</b>	<b>209.2</b>	<b>0.055%</b>		
Japan	0	-	-	80.0			Considering a launch in next 3-6 mths (per 30/1/19 quarterly)
Malaysia	0	-	-	9.7			Launching now with 1 Cushman customer
Singapore	0	-	-	2.3			Launching now with 1 Cushman customer
<b>Total</b>	<b>99</b>	<b>50,000</b>	<b>115,000</b>	<b>301.2</b>	<b>0.038%</b>		

Source: Company data; Phillip Capital estimates

The recent capital raising reduces balance sheet risk for a period, and allows BID to strengthen its overseas marketing and overseas support teams where it was probably under-resourced previously. Hopefully this makes a difference.

The share price will be driven by the success (or otherwise) of major new customer wins, and proof of revenue growth coming through in the quarterly reports.

The global opportunity for BID remains large. We maintain our Buy recommendation.

## Share Price Catalysts

1. Quarterly cash flow and operations reports demonstrating continued growth in customer numbers, meters under management and revenues.
2. Major new customer wins, especially Facilities Management companies or Energy Brokers or Utilities (potential “one sale to many” underlying customers).
3. Customer Size - We would also like to see a gradual increase in the size of new customer wins in the UK and USA as BID build its capability to handle potentially very large accounts.
4. Progress with new product launches including BidBilly UK SME launch now underway with Simble / UCR Consultants; Australian launch still to come.
5. New country roll-outs (eg Singapore, Malaysia, Japan recently commenced; Europe another possibility).
6. Becoming cash flow positive (we expect in FY22).
7. Becoming NPAT positive (we expect in FY22).

## Growth Drivers

We identified 7 growth drivers for BID in our 25/6/19 report, which we summarise below:

1. Large multi-site customers in Australia, Small /Medium accounts in UK & USA or region specific accounts as BID builds gradually its international capability.
2. Faster expansion via Facilities Management strategy.
3. Faster growth via Partnership strategy with independent energy brokers (called TPI's in the UK).
4. Geographic expansion strategy.
5. New Products strategy (eg water, council rates bills)
6. New Wholesale Products strategy (eg energy billing portal for Origin Energy).
7. BidBilly – strategy for SME's, franchisees and potentially residential users.

## Placement and Share Purchase Plan

BID has announced a successful placement to sophisticated and professional investors of 8.75m new shares at \$0.58 per share, raising \$5.1m before costs. This represents a 7.5% increase in shares on issue. These investors will also be allotted a free one for one unlisted option exercisable at \$0.75 in one year's time.

A share purchase plan (SPP) to raise up to a maximum of \$1.5m (before costs) has also been announced for existing shareholders on the same terms, including the one for one option. The closing date is 5:00 pm on 1 November 2019.

Funds raised from the placement and SPP will be used for the following:

- Accelerate the Company's expansion into the UK;
- Accelerate further development of the Company's robotic process automation (RPA) platform for the UK and USA markets;
- Increase investment in sales and marketing in Australia and USA;
- General working capital; and
- Fund the expenses of making and completing the offer.

### Our Comments

The SPP is not underwritten. Assuming the SPP offer is taken up to the maximum amount, the placement and SPP will be approximately 10% dilutive (excluding the attaching options exercisable at \$0.75 which are currently out of the money).

<b>BID: Movement in Shares on Issue</b>	<b>Number (m)</b>
Shares on Issue at 30/6/19	113.771
Vesting of Class E performance rights & employee shares	2.508
<b>Shares on issue immediately before placement</b>	<b>116.278</b>
Placement shares issued on 14/10/19	8.750
Current shares on issue	125.028
SPP (assuming maximum take up)	2.586
<b>Potential Shares on issue</b>	<b>127.615</b>
<b>Increase in shares on issue from placement &amp; SPP</b>	<b>9.7%</b>

Source: Company announcements

BID had net cash of \$3.2m at 30 September 2019. The placement cash less say \$0.3m of expenses takes this to \$8.0m, with up to a further \$1.5m still to come from the SPP making potentially \$9.5m cash.

BID had negative operating cash flow of \$4.1m in FY19 (\$3.1m per the FY19 accounts plus \$1.0m capitalised development costs) so it had just over one year's worth of cash reserves at the previous cash outflow rate.

The cash outflow for the last two quarters annualised was -\$5.8m, so BID should now have sufficient cash for at least another 12 months.

We are pleased that BID has strengthened its balance sheet (necessarily so given our latest analysis), and is looking to accelerate its sales and marketing and support teams, to go after the global opportunity.

The downside of this news is that BID will increase its costs further in the short term, ahead of the expected revenue benefits later. BID appears to have a strong competitive advantage currently, based on recent new customer signings such as Cushman & Wakefield in December (> 10,000 meters) and Origin Energy in August in Australia (14,500 indirect commercial and industrial customers with 28,000 meters).

We think it is the right strategy to go harder now whilst BID has a clear competitive advantage. However our FY20 and FY21 estimates have been reduced significantly.

## Quarterly Cash Flow Report (Appendix 4C)

- Cash receipts \$2.15m (v \$1.33m Q4) up \$821k or 62% over 3 months and up \$808k or 60% on the pcp (v \$1.35m).
- Cash expenses \$3.67m (v \$2.72m Q4) up \$951k or 35% over 3 months and up \$1.6m or 75% on the pcp (v \$2.10m). Staff costs were up 49% on a year ago whilst R&D and Administration/ corporate costs are up 90% & 92%. BID management told us the company is investing in its staff and systems so that the company can go after the global opportunity it believes is available, and to ensure it has robust systems and support staff that can handle managing over one million customer meters (vs 115,000 currently contracted) across an increasing number of markets. We note that BID is now supporting one Cushman & Wakefield customer managing its bills in Malaysia, Singapore and Japan, and Europe was mentioned several times in the recent equity placement announcements and documentation.
- **Operating cash out-flow -\$1.52m** (v -\$1.39m) up \$130k or 9% over 3 months and up \$766k or 102% on the pcp (v -\$0.75m).
- **Cash receipts are now annualising at \$8.6m pa up \$3.3m since June and up \$3.2m on the pcp.** (roughly consistent with annualised group revenue of \$8.1m per the management commentary).
- **Cash expenses are now annualising at \$14.7m per annum up \$3.8m or 35% since June, and up \$6.3m or 75% on the pcp.**
- BID estimates cash costs for Q2 will be \$4.0m (\$4.447m per p4 of the Appendix 4C, but we exclude \$337k underwriting costs and \$100k non-recurring costs) so now annualising at **\$16.0m per annum**. This includes expected new sales marketing and support hires in UK, USA and Aust.
- **This represents a step change in costs over our previous expectations** of a gradual ramp up in costs as global revenues built up. We previously understood that BID was aiming to become cash flow break-even in 2H20. Even if BID wins a lot of new contracts soon, the timing of the ramp up of large new contracts is not likely to come through for 6-12 months plus.
- We hadn't appreciated how big this cost change was until we performed our detailed analysis in this report. We have reduced our forecasts materially.

BID: Analysis of Quarterly Cash Flow Reports	4QFY18	FY18 Cash Flow per final Accounts	1QFY19	2QFY19	3QFY19	4QFY19	FY19 Cash Flow per final Accounts	1QFY20	Growth QoQ	Growth Vs pcp
<b>1. Receipts from customers</b>	<b>1.05</b>	<b>4.24</b>	<b>1.35</b>	<b>1.47</b>	<b>1.28</b>	<b>1.33</b>	<b>5.50</b>	<b>2.15</b>	<b>61.6%</b>	<b>60.1%</b>
<b>2. Cash Payments</b>										
Staff costs	(0.94)		(1.12)	(1.22)	(1.31)	(1.46)		(1.67)	14.2%	49.2%
R&D costs	(0.21)		(0.26)	(0.35)	(0.39)	(0.42)		(0.50)	18.6%	90.4%
Admin & other	(0.58)		(0.71)	(0.74)	(0.74)	(0.74)		(1.36)	84.4%	92.5%
Advertising & marketing	(0.02)		(0.01)	(0.02)	(0.08)	(0.10)		(0.14)	39.8%	1209.1%
Government grants	0.58		0.47							
<b>Cash expenses</b>	<b>(1.18)</b>	<b>(7.79)</b>	<b>(2.10)</b>	<b>(1.86)</b>	<b>(2.51)</b>	<b>(2.72)</b>	<b>(8.62)</b>	<b>(3.67)</b>	<b>34.9%</b>	<b>75.0%</b>
<b>3. Operating Cash flow</b>	<b>(0.12)</b>	<b>(3.55)</b>	<b>(0.75)</b>	<b>(0.39)</b>	<b>(1.23)</b>	<b>(1.39)</b>	<b>(3.11)</b>	<b>(1.52)</b>	<b>9.4%</b>	<b>101.6%</b>
<b>4. Investing Cash Flow</b>	<b>0.00</b>	<b>(0.97)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.08</b>	<b>(0.04)</b>	<b>(0.66)</b>	<b>(0.06)</b>		
<b>5. Cash from Financing (Share Issues &amp; options conversions)</b>	<b>0.00</b>	<b>6.23</b>	<b>0.00</b>	<b>0.00</b>	<b>1.00</b>	<b>1.69</b>	<b>2.69</b>	<b>0.61</b>		
<b>6. Net increase (decrease) in cash</b>	<b>(0.12)</b>	<b>1.71</b>	<b>(0.75)</b>	<b>(0.39)</b>	<b>(0.16)</b>	<b>0.26</b>	<b>(1.08)</b>	<b>(0.97)</b>	<b>-470.1%</b>	<b>28.1%</b>
<b>7. Cash at end of period</b>	<b>5.31</b>	<b>5.28</b>	<b>4.56</b>	<b>4.17</b>	<b>3.94</b>	<b>4.20</b>	<b>4.20</b>	<b>3.23</b>	<b>-23.0%</b>	<b>-29.1%</b>
<b>8. Estimated cash expenses for next quarter</b>	<b>(2.2)</b>		<b>(2.5)</b>	<b>(2.6)</b>	<b>(2.9)</b>	<b>(3.7)</b>		<b>(4.0)</b>	<b>7.9%</b>	<b>61.6%</b>
<b>Cash Receipts - Annualised</b>			<b>5.4</b>		<b>5.3</b>			<b>8.6</b>	<b>61.6%</b>	<b>60.1%</b>
<b>Cash Payments - Annualised</b>			<b>(8.4)</b>		<b>(10.9)</b>			<b>(14.7)</b>	<b>34.9%</b>	<b>75.0%</b>
<b>Operating Cash Flow (annualised)</b>			<b>(3.0)</b>		<b>(5.6)</b>			<b>(6.1)</b>	<b>9.4%</b>	<b>101.6%</b>

Source: Company quarterly reports; FY19 Annual Report; Phillip Capital annualisation calculations

## Quarterly Operations Report

BID has reported solid progress in its September quarterly report, though is still cash flow negative (-\$1.5m in the quarter). The key points are discussed in detail below.

BID: Analysis of Quarterly Operational Reports	4QFY18	FY18 Revenue per final Accounts	1QFY19	2QFY19	3QFY19	4QFY19	FY19 Revenue per final Accounts	1QFY20	Growth QoQ	Growth Vs pcp
<b>1. Unaudited Revenue (Quarterly)</b>										
Energy Spend Mgt (ESM) platform	0.6		0.65	0.7	0.8	0.8		1.0	25.0%	53.8%
US Rebate Capture business	0.4		0.65	0.8	0.4	0.5		1.0	100.0%	53.8%
<b>Total Revenue</b>	<b>1.0</b>		<b>1.3</b>	<b>1.5</b>	<b>1.2</b>	<b>1.3</b>		<b>2.0</b>	<b>53.8%</b>	<b>53.8%</b>
<b>2. Annualised Revenue</b>										
ESM subscription revenue (ASR)	2.5	2.0	2.7	3.7	3.9	4.6	3.0	5.4	17.4%	100.0%
US Rebate Capture business	2.1	2.1	2.0	2.2	2.3	2.3	2.4	2.7	17.4%	35.0%
<b>Total Annualised Group Revenue (AGR)</b>	<b>4.6</b>		<b>4.1</b>	<b>4.7</b>	<b>5.9</b>	<b>6.1</b>	<b>6.9</b>	<b>8.1</b>	<b>17.4%</b>	<b>72.3%</b>
<b>3. Operating Statistics</b>										
Meters under management	21,518		22,260	37,880	39,454	85,182		115,000	35.0%	416.6%
less: our estimate of meters contracted but not yet live	(1,000)		(1,000)	(10,500)	(10,500)	(49,000)		(64,750)		
Estimated "Live" meters earning revenue	20,518		21,260	27,380	28,954	36,182		50,250	38.9%	136.4%
Estimated revenue per "Live" meter pa	\$ 117		\$ 122	\$ 102	\$ 111	\$ 88		\$ 80		
Estimated revenue per "Live" meter per month	\$ 9.75		\$ 10.19	\$ 8.52	\$ 9.21	\$ 7.37		\$ 6.63		
<b>4. Customer Numbers</b>			(Approximate)							
Australia	48		61	69	75	79		84	5	23
New Zealand	n/a		10	11	13	14		14	0	4
United Kingdom	2		2	6	6	9		9	0	7
USA	3		4	5	6	8		10	2	6
<b>Customers (gross)</b>	<b>53</b>		<b>77</b>	<b>91</b>	<b>100</b>	<b>110</b>		<b>117</b>	<b>7</b>	<b>40</b>
eliminations	n/a		(14)	(16)	(19)	(18)		(18)	0	(4)
<b>Unique customers (net)</b>	<b>53</b>		<b>63</b>	<b>75</b>	<b>81</b>	<b>92</b>		<b>99</b>	<b>7</b>	<b>36</b>

Source: Company reports; 1Q19 customer numbers split is estimated as details not provided

- Revenue (unaudited) \$2.0m up 47% on Q4 and up \$670k or 51% on FY19's quarterly average of \$1.33m. (NB pcp figure not disclosed).
- The Energy Spend Management (ESM) platform's subscription revenue was \$1.0m (v \$0.8m in Q4) up 25% over 3 months, and up 54% over 12 months (\$0.65m in the pcp).
- The US Rebate Capture business revenue was \$1.0m (v \$0.5m in Q4) up 50%, over 3 months and also up 54% over 12 months (\$0.65m in the pcp).
- Annualised group revenue is now \$8.1m (v \$6.9m at June) up \$1.2m or 35% over 3 months and up 72% on the pcp (\$4.1m). The \$8.1m is comprised of \$5.4m for the ESM platform and \$2.7m for the rebate capture business. A neat 2/3rds vs 1/3rd split.
- Meters under management 115,869 (v 85,182 at June 30) up 30,687 or +35% and up 417% on the pcp of 21,518.
- We note the 117k figure includes meters contracted but not necessarily "live" and revenue generating, expected to go live within 12-months. We estimate BID has about 50k meters live currently, with ~66k still to be on-boarded for customers including Cushman & Wakefield (3,900 live with 7,450 to be on-boarded by 30 November making 11,350 accounts) and recent signing Origin Energy (28,000 meters for an initial 14,500 clients to be on-boarded by Dec19).
- Now 117 customers globally (99 unique customers excluding double counting of customers in multiple countries), up 7 (6%) on June. (Discussed below).
- BID's "net upsell" rate improved from 4% to 8% indicating existing customers continue to expand their usage or number of sites or upgrade their modules. For example a retailer which started with an initial 25 sites has since gone national with over 100 sites.
- Paid pilots continuing with electricity retailers (similar to Origin deal) and some large multi-site enterprises. Being paid pilots, rather than un-paid trials, we expect a high probability of conversion to firm contracts.
- BidBilly currently completing market tests with large trusted brands (we

understand more than one potential partners, possibly complementary). Timing unknown.

### New Customers

7 new customers contracted in the quarter: Australia 5, USA 2, UK Nil.

- Origin Energy – BID's first Energy retailer client for a white-labelled portal for data access and analytics. We note this does not include bill validation (at least at this stage). Initial 14,500 Commercial & Industrial customers with 28,000 meters (an average of 1.9 meters per customer). BID has completed the IT customisation and now commenced on-boarding these customers (to be completed by December 2019).
- One of Australasia's largest food & beverage companies (estimated 280 meters).
- Aurora Dairies (11 dairy farms with an estimated 60 meters).
- A leading provider of specialty packaging solutions in Australasia (estimated >150 meters).
- One of Australia's largest commercial real estate owners and managers (for an initial 3 buildings). This sounds very promising also, following BID's success with Cushman & Wakefield (~10,000 meters for 17 large customers).

USA:

- Parkers Corporation – operates 58 petrol stations/fresh food/ convenience stores in Georgia & South Carolina (estimated 58 meters).
- Duluth Trading Company – operates over 50 apparel / workwear stores nationally (estimated 200 meters).

UK:

- Nil. Comment: We were a bit disappointed here, but BID explained that its two sales staff were fully occupied bedding down over 200 underlying new customers under the LG Energy Consultants, Catalyst and Carbon Numbers TPI deals (third party independent consultants). BID plans to add 2 further sales people and a customer on-boarding person in the near future taking the team to 5 persons, operating from a new shared office. BID says the new customer pipeline is strong.

USA Rebate Capture business:

- Two new customers: Citizen's Bank (1,100 branches in 11 states in the New England, Mid-Atlantic and Mid-West regions) and Savers USA (for profit global thrift retailer with over 300 stores).
- Comment: As there was no separate ASX announcement for these two new customers, we expect that BID would be managing some relatively small projects for both. Customers with 1,000+ locations are ideal targets for BID's ESM platform. The Rebate Capture business seems to have found some growth and BID continues to highlight the cross selling potential of its 100+ historical customer base which includes numerous large multi-site companies (Fortune 500 companies). However, we are aware of only one cross sell to date (JoAnn stores).

### Outlook Statement

BID says it "continues to build significant traction with a strong pipeline of prospects in Australia, UK and the USA across all sales channels."

Similar to the \$0.6m pa Origin Energy contract, BID says it has been engaged to conduct paid pilots with energy retailers and some large multi-site enterprises. Delivering on some or all of these larger opportunities will be key drivers of growth and BID management is focussed on these.

## Appendix: New Customer Wins - FY19 & FY20

BidEnergy - New platform customers signed in FY19 & FY20 ytd (excluding US rebate capture customers)		
Aust & NZ	UK	USA
<b>FY19:</b> <b>September Quarter FY19</b> Funlab (Strike Bowling and associated brands) The Smart Group Latitude Air RSEA Safety Australia Particleboard manufacturer (> 50 sites) Australian operations of a Fortune 500 company Qube (for their initial Victorian sites)(QUB) Peter Stephens Motorcycles Greencross (Petbarn) Hyatt Place Radiology SA BidBilly pilot with SA Tourism Industry Council	Toll Group (existing Aust customer)	
<b>December Quarter FY19</b> Cushman & Wakefield (17 indirect clients, > 10,000 meters) Kestrel Coal QMS Media (Aust & NZ)(QMS) Specsavers (for an initial 25 sites) Global supermarket (a state based trial) Greenshill Farming NRMA Insurance Consortium Clemenger Billcap.com.au	Walkers non-such Toffee Carbon Numbers (Energy & BMS consultants) Catalyst Commercial (TPI) Bellrock (FM customer)	JoAnn stores (retailer, 850 stores in 49 states) Toll (existing Aust & UK customer) Cotton On (existing Aust customer, 154 US stores)
<b>March Quarter FY19</b> (BP extends for a further 3 years from July 19) Pacific Smiles (PSQ) Hurley Hotel Group Banyule Council (Vic) Sodexo (Aust) ISS Facility Services Australia Pacific National A large Aust global packaging company	(BP extends for a further 3 years from July 19)	Aqua America (US water utility in 8 states; > 1,200 sites) Country Meadows Apollo Edison (Energy Consultants)
<b>June Quarter FY19</b> Quest (CEMG) Nazareth Care AMA Group (AMA) Elders (ELD) RACV Downer EDI (DOW) A large Aust university City of Whittlesea New alliance - Envizi (international carbon reporting/sustainability software)	Optima Energy Systems (ESM) Simble / UCR (a TPI) LG Energy Group (a TPI)	Correlate Inc (Energy Consultants) Catholic Charities of the Archdiocese of Chicago
<b>FY20</b> <b>September quarter FY20</b> Origin Energy (ORG) - Commercial & Industrial Division (14,500 clients, 28,000 meters) One of the largest food & beverage companies Aurora Dairies A leading Specialty packaging company A large commercial real estate owner & manager (initial 3 buildings)		Parkers Corporation (58 petrol & convenience stores) Duluth Trading Co (>50 apparel/ workwear stores)

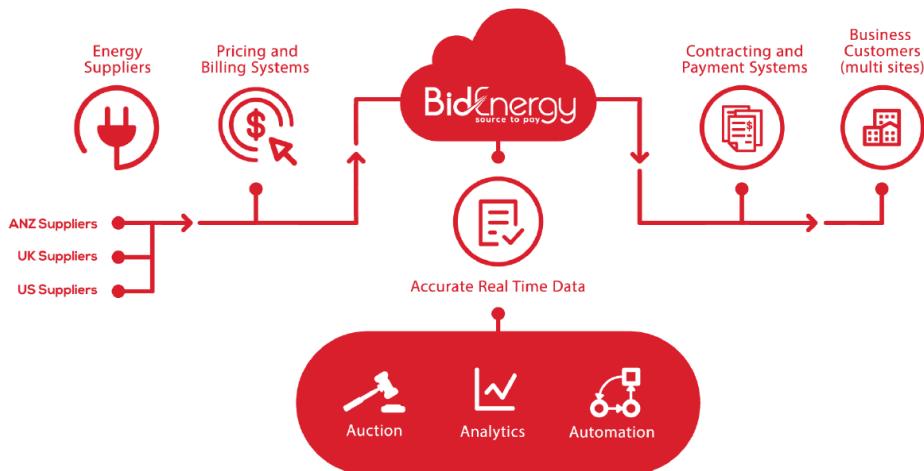
Source: BID quarterly reports; "One sale to many" customers highlighted in blue

## 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 Origin Energy (28,000 meters for 14,500 C&I customers), 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 99 unique customers including 18 in multiple countries making 117 agreements overall (Vs 53 unique customers at June 30, 2018):

- Australia - 84 enterprise customers (NB Cushman counted as a single client).
- New Zealand - 14 enterprise customers.
- UK - 9 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 - 10 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 150 stores), Aqua America (water utility serving 3m people), Correlate Inc and Apollo Edison USA (outsourced specialist energy consultants), Parkers (petrol & convenience stores) and Savers (apparel retailer).

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 10,200 meters on behalf of 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 115,000 meters under contract (mostly electricity) including the Cushman

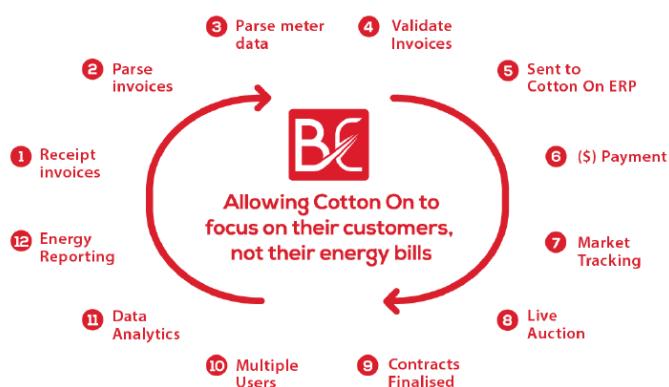
contract. Australia has in excess of 11.5 million electricity meters, so this represents a market penetration of less than 1%. Other markets are estimated at the following - NZ 1.4 million meters, the UK 46 million and the USA approximately 150 million meters.

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).

Revenue per meter managed appears to be around A\$120 per annum (\$10 per month per meter). 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 >100 sites for Cotton On in the USA.

### BidEnergy solves the problem for Cotton On



### Rebate Capture business, USA

BID acquired Real Win Win (RW), a 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). RW 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 RW customers (first cross sell achieved with JoAnn Stores in November 2018).

#### *Group Locations*

BID has offices in Melbourne, London and Philadelphia and employs approximately 49 people:

- Australia 35 staff
- UK 2 (going to 5)
- USA 12
- Worldwide 49
- + India (Bangalore) 50-70 IT contractors

BID is currently loss-making and cash flow negative, but is growing rapidly. It is consistently signing new enterprise customers every quarter (5 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 around 2 years away.

## Competitors

**Energetics** – Sydney based energy consulting firm. Provides strategy, policy and financial advice, renewables & energy efficiency advice, energy accounting (including bill validation, budgeting and forecasting), procurement and contracting structures, carbon reporting, compliance and program audit services. [www.energetics.com.au](http://www.energetics.com.au)

### International Competitors:

**Schneider Electric** (Refinitiv code: SCHN.PA) - large french headquartered multinational, a specialist in energy management equipment and automation.

**Accenture plc** (Refinitiv: ACN.N) – multi-national provider of consulting and technology services. In 2015, bought EnergyQuote JHA, a pan-European energy management and procurement services provider founded in 1992. 279 staff across Europe and India. Provides energy risk management, energy contract management, portfolio management and utility bill validation. [www.accenture.com](http://www.accenture.com)

**Inspired Energy plc** (Refinitiv: INSEI.L, Market cap GBP 92.6m, FY18 revenue GBP 32.7m, Net income GBP 9.9m) – leading utilities TPI (third party intermediary) in the UK, and the first TPI to list. Provides energy purchasing and energy consultancy services to corporate and SME energy users. Acquired SystemsLink in 2018 for GBP 3.9m, a supplier of energy management software to public and private sector energy users, energy consultancies and TPI's. [www.inspiredplc.co.uk/](http://www.inspiredplc.co.uk/)

**Optima Energy Systems** – North Yorkshire UK based ESM provider - advanced software for managing and analysing energy data for over 22,000 organisations and 380,000 sites. Established for over 30 years. Energy management reporting for electricity, gas and water. Optima is now a BID customer to parse a portion of its bills which are in PDF format rather than in EDI (~ 60,000 meters). [www.optimaenergy.net](http://www.optimaenergy.net)

**Teamenergy** – UK based supplier of carbon and energy management software, energy bureau services and energy consultancy. Tenant billing software to apportion utility costs between tenants, cost centres or departments. Customers include Lancashire County Council, Arriva (472 Northern Rail stations), Lidl, NHS Lanarkshire, Humber NHS Trust, London Borough of Hackney & Haringey, Torfaen County Borough. Established over 30 years. [www.teamenergy.com](http://www.teamenergy.com)

BidEnergy Limited (BID)		\$ 0.580							
<b>Profit &amp; Loss</b>					<b>Per share &amp; Ratio data</b>				
Year end June (\$m)	FY19	FY20e	FY21e	FY22e	Year end June	FY19	FY20e	FY21e	FY22e
Op. Revenue	5.3	8.8	14.9	22.6	Shares on Issue - Wavge (f/d)	109.5	123.0	132.1	137.3
<b>Revenue growth</b>	<b>30.4%</b>	<b>66.7%</b>	<b>68.4%</b>	<b>51.9%</b>	Shares on Issue - at year-end	113.8	126.1	132.1	137.3
Cost of Goods Sold	0.0	0.0	0.0	0.0	Reported EPS (cents)	(6.0)	(7.1)	(3.0)	1.9
<b>Gross Profit</b>	<b>5.3</b>	<b>8.8</b>	<b>14.9</b>	<b>22.6</b>	<b>Growth</b>	<b>34.1%</b>	<b>18.7%</b>	<b>-58.5%</b>	<b>-163.1%</b>
<b>Gross Profit Margin</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	P/E ratio (x)	-9.7x	-8.1x	-19.6x	31.1x
Other Income	0.1	0.1	0.1	0.1	<b>EPS (normalised)(cents)</b>	<b>(6.0)</b>	<b>(7.1)</b>	<b>(3.0)</b>	<b>1.9</b>
Cash Operating Expenses	(9.0)	(14.7)	(15.8)	(19.5)	<b>Growth</b>	<b>78.5%</b>	<b>18.7%</b>	<b>-58.5%</b>	<b>-163.1%</b>
Share based payments (non cash)	(2.5)	(2.5)	(2.5)	(2.5)	P/E ratio (x)	-9.7x	-8.1x	-19.6x	31.1x
<b>EBITDA</b>	<b>-6.1</b>	<b>-8.3</b>	<b>-3.3</b>	<b>3.3</b>	DPS (cents)	0.0	0.0	0.0	0.7
<b>Ebitda Margin</b>	<b>-115.2%</b>	<b>-93.4%</b>	<b>-22.2%</b>	<b>14.4%</b>	Franking	0%	0%	0%	100%
Depreciation & Amort	(0.5)	(0.6)	(0.7)	(0.8)	<b>Yield</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>1.3%</b>
<b>EBIT</b>	<b>-6.7</b>	<b>-8.9</b>	<b>-4.0</b>	<b>2.5</b>	OCF per share (cents)	-2.8	-4.6	-0.5	4.3
<b>Ebit Margin</b>	<b>-125.4%</b>	<b>-100.1%</b>	<b>-26.9%</b>	<b>10.9%</b>	Price/OCF (x)	-20.4x	-12.6x	-111.7x	13.5x
Net Interest Income (Expense)	0.1	0.1	0.1	0.1	Enterprise Value \$m	62.2	69.5	69.8	64.0
Share of Assoc NPAT	0.0	0.0	0.0	0.0	EV/Sales	11.7x	7.9x	4.7x	2.8x
<b>Pre-tax profit</b>	<b>(6.6)</b>	<b>(8.8)</b>	<b>(3.9)</b>	<b>2.6</b>	<b>EV/EBITDA</b>	<b>-10.2x</b>	<b>-8.4x</b>	<b>-21.1x</b>	<b>19.6x</b>
Income Tax Credit (Expense)	0.0	0.0	0.0	0.0	EV/EBIT	-9.4x	-7.8x	-17.4x	26.0x
<b>Tax Rate</b>	<b>-0.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>Liquidity &amp; Leverage</b>				
Minorities (share of loss)	0.0	0.0	0.0	0.0	Net Cash (Debt) \$m	4.2	3.5	3.2	9.0
Abnormals	0.0	0.0	0.0	0.0	Net Debt / Equity %	-70%	-66%	-65%	-85%
<b>NPAT (reported)</b>	<b>-6.6</b>	<b>-8.8</b>	<b>-3.9</b>	<b>2.6</b>	Net Debt / EBITDA	0.7x	0.4x	1.0x	n/a
Adjustments (Abnormals)	0.0	0.0	0.0	0.0	ROA (EBIT / T.Assets) %	-88.7%	-125.8%	-57.7%	18.9%
<b>NPAT (normalised)</b>	<b>-6.6</b>	<b>-8.8</b>	<b>-3.9</b>	<b>2.6</b>	ROE (NPAT / T.Equity) %	-109.6%	-164.2%	-79.9%	24.3%
					Interest Cover (EBIT)	126.6x	88.6x	40.1x	-24.6x
					Dividend Payout % (of adj EPS)	n/a	n/a	n/a	n/a
<b>Balance Sheet</b>					<b>Cash Flow</b>				
Cash	4.2	3.5	3.2	9.0	EBITDA	-6.1	-8.3	-3.3	3.3
Receivables	0.3	0.5	0.8	1.2	Chge in Working Capital	0.3	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0	Interest Received (Paid)	0.1	0.1	0.1	0.1
Other	0.7	0.7	0.7	0.7	Income taxes paid	0.0	0.0	0.0	0.0
<b>Total current assets</b>	<b>5.2</b>	<b>4.7</b>	<b>4.7</b>	<b>10.9</b>	Other (share based payments)	2.6	2.5	2.5	2.5
Property, plant & equipment	0.0	0.0	0.0	0.0	<b>Operating cash flows</b>	<b>-3.1</b>	<b>-5.6</b>	<b>-0.7</b>	<b>5.9</b>
Investments	0.0	0.0	0.0	0.0	Capex	0.0	0.0	0.0	0.0
Intangibles	2.2	2.2	2.2	2.0	Acqns & Investments	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	Government Grants received	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.1	0.1	Other (Capitalised R&D)	-0.6	-0.6	-0.6	-0.6
<b>Total non-current assets</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.1</b>	<b>Net investing cash flows</b>	<b>-0.7</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.6</b>
<b>Total Assets</b>	<b>7.5</b>	<b>7.0</b>	<b>6.9</b>	<b>13.0</b>	Equity raised (bought back)	2.7	5.6	1.0	0.6
Payables	-0.7	-0.9	-1.3	-1.7	Dividends paid	0.0	0.0	0.0	0.0
Interest bearing liabilities - Current	0.0	0.0	0.0	0.0	Change in Debt	0.0	0.0	0.0	0.0
Provisions	-0.3	-0.3	-0.3	-0.3	Other	0.0	0.0	0.0	0.0
Other	-0.2	-0.2	-0.2	0.3	<b>Financing cash flow</b>	<b>2.7</b>	<b>5.6</b>	<b>1.0</b>	<b>0.6</b>
<b>Total Current Liabilities</b>	<b>-1.2</b>	<b>-1.4</b>	<b>-1.8</b>	<b>-1.7</b>	<b>Change in Cash</b>	<b>-1.1</b>	<b>-0.7</b>	<b>-0.4</b>	<b>5.8</b>
Interest-bearing liabilities - Non-curr	0.0	0.0	0.0	0.0					
Provisions	-0.1	-0.1	-0.1	-0.1					
Other	-0.2	-0.2	-0.2	-0.8					
<b>Total Non-current Liabilities</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.8</b>					
<b>Total Liabilities</b>	<b>-1.5</b>	<b>-1.7</b>	<b>-2.1</b>	<b>-2.5</b>					
<b>Total Shareholders' Equity</b>	<b>6.0</b>	<b>5.3</b>	<b>4.9</b>	<b>10.5</b>					
<b>Interims</b>					<b>Revenue by Sector</b>				
Year end June	1H19	2H19	1H20e	2H20e	BID platform - Australia & NZ	2.7	4.2	6.5	13.3
<b>Sales</b>	<b>2.8</b>	<b>2.5</b>	<b>4.0</b>	<b>4.9</b>	BID platform - UK	0.04	0.6	1.5	7.9
<b>Sales Growth (g)</b>	<b>23.8%</b>	<b>38.6%</b>	<b>43.2%</b>	<b>92.7%</b>	BID platform - USA	0.2	1.2	3.6	16.8
<b>EBITDA</b>	<b>-2.1</b>	<b>-4.0</b>	<b>-3.9</b>	<b>-4.4</b>	BID platform - Asia (to come)				
<b>EBITDA Margin</b>	<b>-75.4%</b>	<b>-159.0%</b>	<b>-97.6%</b>	<b>-89.9%</b>	<b>ESM Platform - Total</b>	<b>3.0</b>	<b>6.0</b>	<b>11.6</b>	<b>38.1</b>
EBIT	-2.3	-4.3	-4.2	-4.7	Rebate capture revenue - USA	2.4	2.9	3.3	5.1
Equity Share of Assocs NPAT	0.0	0.0	0.0	0.0	<b>Total Revenue</b>	<b>5.3</b>	<b>8.8</b>	<b>14.9</b>	<b>43.1</b>
NPAT (Reported)	-2.3	-4.3	-4.2	-4.6					
<b>NPAT (Adjusted)</b>	<b>-2.3</b>	<b>-4.3</b>	<b>-4.2</b>	<b>-4.6</b>					
<b>EPS (adjusted)(cents)</b>	<b>-2.1</b>	<b>-3.9</b>	<b>-3.5</b>	<b>-3.6</b>					
<b>EPS Growth</b>	<b>4.2%</b>	<b>186.2%</b>	<b>67.7%</b>	<b>-7.1%</b>					
DPS (cents)	0.0	0.0	0.0	0.0					

Source: Phillip Capital estimates

Source: Refinitiv, Annual report

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

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