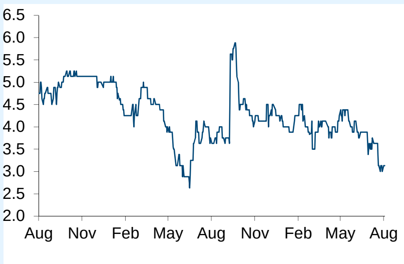
Seeing Machines*

17 August 2017

Ticker	SEE
Price	3.1p
Target Price	12.0p
Upside	283.0%
Market Cap	£46.5m
Market	AIM
Sector	Tech Hardware & Equipment
Net Cash	A$22.0m
Shares in Issue	1,486.5m
Next Results	Finals in September

What's changed	From	To
Adj. EPS (FD)	-2.7c	-2.6c
Recommendation		
Target Price	12.0p	n/c

Share Price Performance



Source: Thomson Reuters

%	1M	3M	12M
Actual	-10.6	-28.5	-21.8

Company Description
Development of innovative vision-based human/machine interfaces

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FY 2017 in line; Fleet and Automotive progress

CORP

The recent trading update saw the group expect to meet its revenue forecasts in FY 2017, driven by the Fleet roll-out and growth in distributors. The OEM Automotive business continues to make steady progress; it is launching a production car model and is now collaborating with another Tier-1 supplier (Autoliv) but continuing to invest heavily. Assisted by government grants, the group ended FY 2017 with A$22m cash. We adjust our revenue forecasts as we gain greater understanding of these new markets. At the same time, management is suggesting that it could significantly increase the scale of the OEM prospects should it receive additional funding and is investigating strategic investment opportunities. We examine what the financials and opportunities might look like in that scenario.

- **Good progress is being made in all markets**. FY 2017 revenue will exceed \$13m, with Guardian providing the driving force, growing 250% YoY and continuing to expand globally through direct sales and in collaboration with telematics partners and distributors. Automotive has made excellent operational advances, while Air and Rail opportunities are also being explored.
- **Guardian builds revenue for the future**. Fleet's Total Contract Value grew from A\$7.9m at Y/E16 to A\$36.5m at Y/E17 (362% growth). Soon to be boosted by partnerships with MiX Telematics and now Geotab, this builds monthly recurring revenue under 3 to 5-year SaaS (Safety-as-a-Service) contracts. This can be factored to receive cash early, assisting working capital.
- **Adjusting forecasts**. Management expects FY 2018 base-case revenue to grow in line with expectations, driven by continued Fleet momentum. While it is early to forecast the speed of adoption across numerous markets, management expects sales of 'sub A\$100m' in FY 2019. For prudence, we ease our FY 2018 forecast from A\$52m to A\$45m and our FY 2019 sales forecast from A\$117m to A\$97m. We expect heavy spending to continue, as the company highlights that it intends to invest A\$50m over the next two years to accelerate platform and product development, but turning EBITDA-positive by the end of FY 2019.
- **Our forecasts are based on current funding** but management has flagged increased investment should expected OEM programs be won or additional funding become available, and we highlight prospects on this basis.

Year ending June (A\$m)	2015A	2016A	2017E	2018E	2019E
Data					
Sales (A\$m)	12.9	33.6	13.4	45.3	97.0
Adj EBITDA (A\$m)	-14.7	-1.9	-31.7	-20.4	-0.7
Adj PBT (A\$m)	-15.1	-1.4	-32.0	-22.2	-2.7
Tax rate (%)	nm	nm	0	0	0
Adj EPS (FD) (c)	-1.8	-0.2	-2.6	-1.5	-0.2
DPS (c)	0.0	0.0	0.0	0.0	0.0
Ratios					
EV/Sales (x)	4.2	1.6	4.1	1.2	0.6
EV/EBITDA (x)	n/a	n/a	n/a	n/a	n/a
P/E (x)	n/a	n/a	n/a	n/a	n/a
Yield (%)	0.0	0.0	0.0	0.0	0.0
Cash flow yield (%)	-27.9	-10.0	-30.5	-27.8	3.0
EPS growth (%)	497.1	91.4	1,566.5	43.5	87.8

Key Financials

Income Statement

Year ending June (A$m)	2015A	2016A	2017E	2018E	2019E
Sales	**12.9**	**33.6**	**13.4**	**45.3**	**97.0**
Gross profit	**5.7**	**27.3**	**1.8**	**16.3**	**51.7**
Operating expenses	-20.4	-29.2	-33.4	-36.7	-52.4
Adjusted EBITDA	**-14.7**	**-1.9**	**-31.7**	**-20.4**	**-0.7**
Depreciation/Amortisation	-0.6	-0.9	-1.0	-2.0	-2.0
Adjusted EBIT	**-15.3**	**-2.8**	**-32.6**	**-22.4**	**-2.7**
Associates/Other	0.0	0.0	0.0	0.0	0.0
Net interest	0.3	1.4	0.6	0.2	0.0
Adjusted PBT	**-15.1**	**-1.4**	**-32.0**	**-22.2**	**-2.7**
Adjustments	3.1	-0.2	-0.8	-0.4	-0.4
Reported PBT	**-12.0**	**-1.6**	**-32.8**	**-22.6**	**-3.1**
Taxation	0.0	0.0	0.0	0.0	0.0
Tax rate (%)	*nm*	*nm*	*0*	*0*	*0*
Reported earnings	-12.7	-1.7	-32.8	-22.6	-3.1
Average no.shares (FD)	870.0	981.7	1,227.5	1,507.0	1,507.0
Adj. EPS (FD) (c)	**-1.8**	**-0.2**	**-2.6**	**-1.5**	**-0.2**
DPS (c)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Cash Flow

Year ending June (A$m)	2015A	2016A	2017E	2018E	2019E
EBITDA	**-14.7**	**-1.9**	**-31.7**	**-20.4**	**-0.7**
Net change in working capital	-4.1	-4.5	13.0	3.0	7.0
Other items	0.0	0.0	-0.8	0.0	0.0
Operating cash flow	**-18.8**	**-6.4**	**-19.4**	**-17.4**	**6.3**
Cash interest	0.3	1.4	0.2	0.2	0.0
Tax paid	-0.1	0.0	0.0	0.0	0.0
Capex	-2.7	-2.5	-4.0	-4.0	-4.0
Free cash flow	**-21.3**	**-7.6**	**-23.3**	**-21.2**	**2.3**
Disposals	0.0	-1.1	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Other	2.1	-1.7	-0.1	0.0	0.0
Issue of share capital/(Buyback)	10.8	13.2	27.7	0.0	0.0
Net Change in cash flow	**-8.4**	**2.7**	**4.3**	**-21.2**	**2.3**
Opening net (debt)/cash	22.7	14.4	17.1	21.4	0.2
Closing net (debt)/cash	**14.4**	**17.1**	**21.4**	**0.2**	**2.5**

Balance Sheet

Year ending June (A$m)	2015A	2016A	2017E	2018E	2019E
Tangible assets	0.9	0.7	0.0	-1.0	-2.0
Goodwill	0.0	0.0	0.0	0.0	0.0
Other intangible	3.2	10.7	9.9	12.9	15.9
Other	0.1	0.1	0.1	0.1	0.1
Non current assets	**4.2**	**11.5**	**10.1**	**12.1**	**14.1**
Inventories	10.2	8.4	6.6	6.2	5.5
Trade receivables	7.2	6.8	0.6	-2.3	-9.3
Cash	14.2	16.9	21.3	0.1	2.4
Other	0.5	1.0	1.7	1.7	1.7
Current assets	**32.1**	**33.1**	**30.2**	**5.7**	**0.3**
Trade payables	-4.1	-1.8	-0.8	-0.5	0.2
Other current liabilities	-2.0	-2.4	-3.7	-3.7	-3.7
Short term debt	0.0	0.0	0.0	0.0	0.0
Net current assets	**26.0**	**28.9**	**25.7**	**1.5**	**-3.3**
Long term debt	0.0	0.0	0.0	0.0	0.0
Pension	0.0	0.0	0.0	0.0	0.0
Other/Minorities	0.0	0.0	0.0	0.0	0.0
Net assets	**30.1**	**40.4**	**35.7**	**13.5**	**10.8**
Net working capital	*13.3*	*13.4*	*6.4*	*3.4*	*-3.6*
NAV per share (c)	*3.7*	*3.8*	*2.4*	*0.9*	*0.7*
NTA per share (c)	*3.3*	*2.8*	*1.7*	*0.0*	*-0.3*

Ratio Analysis

Year ending June	2015A	2016A	2017E	2018E	2019E
Growth					
Revenue growth (%)	-23.3	161.0	-60.1	238.8	114.0
EBITDA growth (%)	724.1	87.1	1,570.3	35.6	96.5
EPS growth (%)	497.1	91.4	1,566.5	43.5	87.8
DPS growth (%)	n/a	n/a	n/a	n/a	n/a
Returns					
Gross margin (%)	44.5	81.3	13.2	36.0	53.3
EBITDA margin (%)	n/a	n/a	n/a	n/a	n/a
EBIT margin (%)	n/a	n/a	n/a	n/a	n/a
RoE (%)	n/a	n/a	n/a	n/a	n/a
RoCE (%)	n/a	n/a	n/a	n/a	n/a
Liquidity					
Net debt/equity (%)	n/a	n/a	n/a	n/a	n/a
Net debt/EBITDA (x)	1.0	9.0	0.7	0.0	3.6
Interest cover (x)	nm	nm	nm	nm	nm
Net working capital to sales (%)	103.4	39.9	47.5	7.4	-3.8
Cash conversion (%)	144.7	401.1	73.5	103.9	-324.0
Dividend cover (x)	n/a	n/a	n/a	n/a	n/a

Guardian revenue begins to ramp up

With the sale of the off-road business to CAT for a A$22m licence fee in FY 2016, group revenue in FY 2017 was always going to be significantly lower, relying on the nascent on-road fleet retrofit business, Guardian, to fill in for the lost sales. Royalties from CAT sales are at a near 100% margin but will take time to build up while CAT sales staff and the dealer network are trained. With the resource sector again buying new heavy equipment, CAT royalties should accelerate. The Automotive business remains several years from delivering significant revenue but continues to make strong operational progress.

Impressive progress has been made over the last year:

Investor highlights

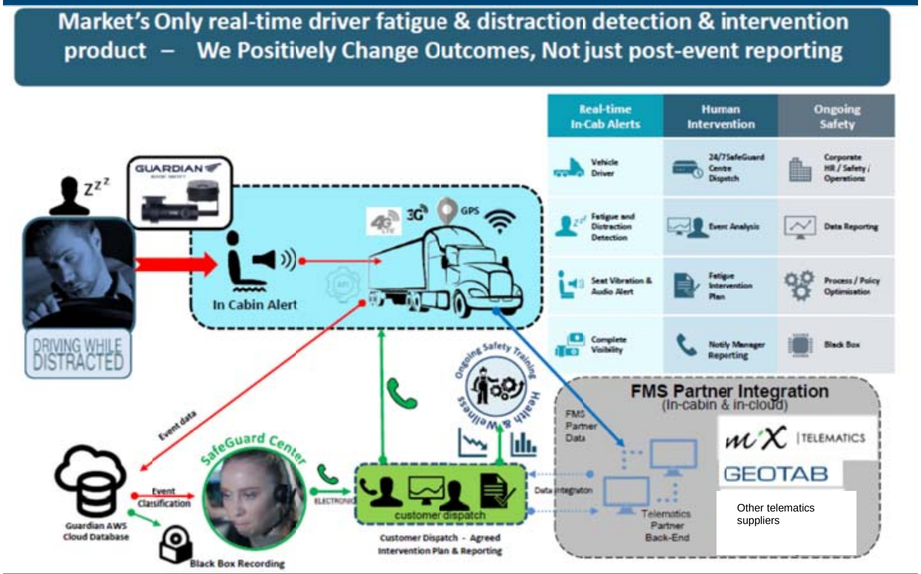
Source: Company reports

Guardian is accelerating

TCV doubled H2 on H1

Building on the June Fleet review, the post year-end update confirms that the Guardian product has put in a strong performance, accelerating through the year. We saw from the review that Guardian's progress is impressive, with the total contract value (TCV) more than doubling in H2 compared to H1 (roughly $7m/$22m to make $29m, see below). With 138 certified third-party contractor installers around the world, 14 assistants and 12 field support specialist (trainers), installations are taking place across the globe. Recently, there was a record 290 in a single week. This is a telematics-type SaaS service, with monthly subscriptions building a revenue base for future periods under 3- to 5-year contracts.

The Guardian offering



Source: Company reports

A$22m of TCV to be recognised

TCV of A$7.9m at the start of the year grew to A$36.5m in June with A$28.6m signed in the year and A$22m yet to be recognised under the SaaS (Safety-as-a-Service) model. Some of it will be sales of hardware to distributors.

Trials underway and expected to convert

Furthermore, there are numerous assessments underway, and the company has a strong track record of converting these into contracts. It is notable that many contracts are in negotiation, particularly in the EMEA region.

Fleet progress shown in the June review

Source: Company reports

Channel expansion

It is utilising channels, both distributors and telematics partners like MiX.

- An integrated co-branded solution with MiX Telematics (NYSE: MIXT) is now ready. MiX is one of the world's leading telematics providers, tracking over

622,000 mobile assets – trucks, buses, vans, cars, motorbikes and trailers – in more than 120 countries, across six continents.

- Seeing Machines has expanded its network through a partnership with Geotab, a leader in Fleet telematics solutions with almost 1m devices in operation around the world, including with many Fortune 500 companies. Guardian has been added to the Geotab Marketplace, which serves more than 14,000 Geotab customers, with Seeing Machines becoming a Geotab Marketplace partner.
- The distribution network is also performing well, with Kiattana in Thailand connecting 1,000 units – mainly in heavy-duty trucks – by the June year-end. It expects to have sold 4,000 by the calendar year-end and to have 6,000 connected by June next year.

Guardian going global

Guardian has 130 customers globally (both long-term contracts and trials) and was launched in Malaysia in May. It has expanded into the UK with an initial major 320-vehicle contract from FreshLinc.

Fleet success allows Automotive to build

The results give us increasing comfort that Guardian will become a major global business, building a revenue base and generating profit whilst allowing the OEM automotive business to scale up over the next few years.

Next generation expected for H2

Guardian continues to evolve both its products and services. We anticipate the higher-function second generation Guardian device to be available from December 2017.

OEM Automotive

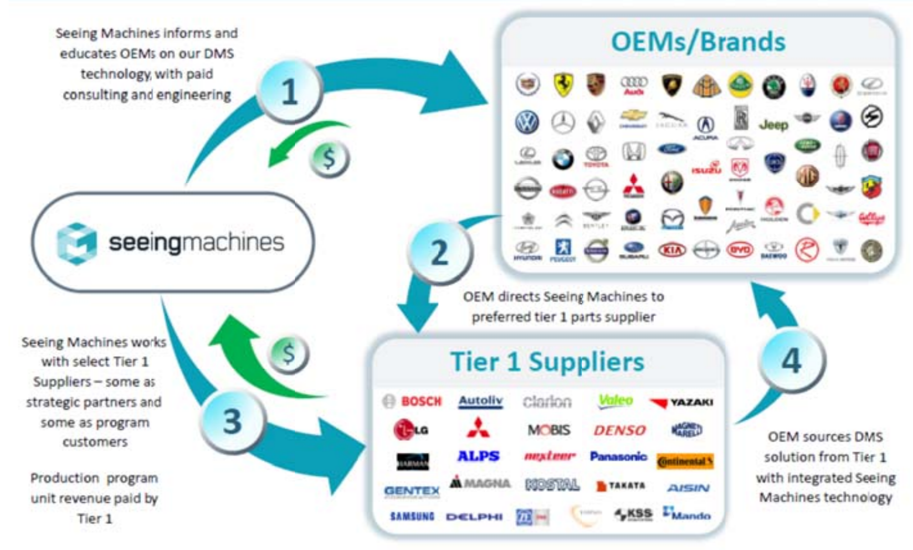
Standout year for Automotive

FY 2017 has been a landmark year for Automotive and its FOVIO platform:

- The 1st-generation DMS chip (SiP) was launched and will in time become core to the whole group's aftermarket technology offering across multiple markets;
- The Automotive business has been retained and self-funded within the group, without losing IP to external investors;
- The exclusivity with the struggling Takata has formally been terminated, allowing Seeing Machines to work with other Tier-1 suppliers;
- Automotive is leasing 75 systems for trials and development with more than 15 OEMs and Tier-1 suppliers, representing a large segment of the global automotive production;
- The original Takata-based software solution is in production to deliver a semi-autonomous vehicle model on sale this year (assumed to be GM’s Cadillac CT6);
- FOVIO is being formally sourced for eight future models (we assume these to be higher-volume models from GM under the follow-on contract).

In our view, the above represents remarkable progress for an effective start-up with limited funding in the global automotive industry.

The Automotive model



Source: Company reports

Automotive revenue includes leading-edge car and truck DMS research programs, which are both material, and more importantly, support the core roadmap aided by key industrial partners.

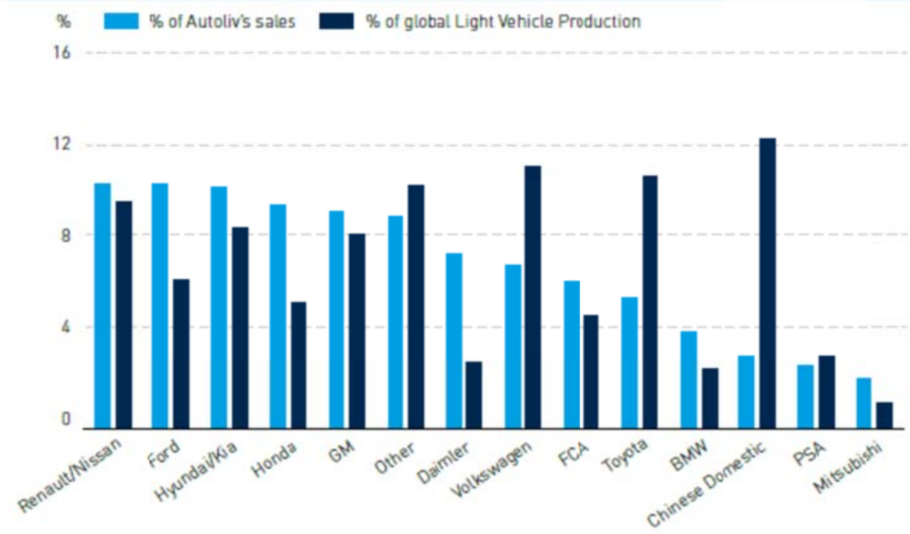
FY 2018 starts well for Automotive

FY 2018 starts with the sales launch of the 2018 Cadillac CT6 with Seeing Machines technology enabling its cutting-edge Super Cruise autonomous driving system. This is the product of its initial partnership with Tier-1 automotive supplier Takata; however, following its air-bag troubles, Seeing Machines has broadened its range of Tier-1 partners and has now announced a collaboration with Autoliv, a leader in Automotive Safety Systems, to deliver next-generation Driver Monitoring Systems (DMS) for autonomous vehicles. The FOVIO platform will be employed to enhance Autoliv's Advanced Driver Assistance Systems (ADAS) with awareness of the driver's attention state, detecting distraction or drowsiness.

Autoliv collaboration is impressive

Autoliv (NYSE: ALV) is a leader in automotive safety systems, providing safety systems for all the major global automotive manufacturers. It has more than 80 facilities with 70,000 employees in 27 countries. It has 22 technical centres in 10 countries around the world, with 19 test tracks. This is a significant new entry point into the market for FOVIO. Sales in 2016 amounted to over US$10bn. Autoliv's products are utilised in 1,300 car models (see below), and it claims to save 30,000 lives annually.

Autoliv customer base 2016

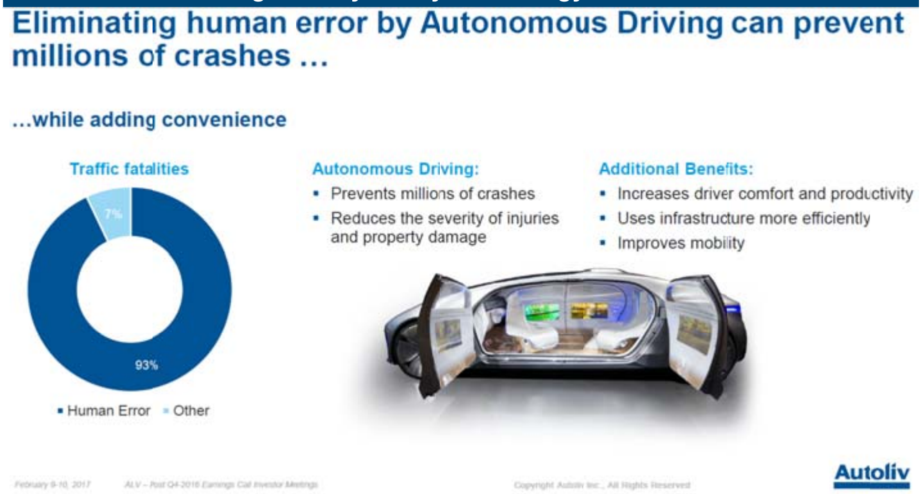


Source: Company reports

All about autonomous vehicles

Autoliv is making a sustained push to lead autonomous vehicle technology.

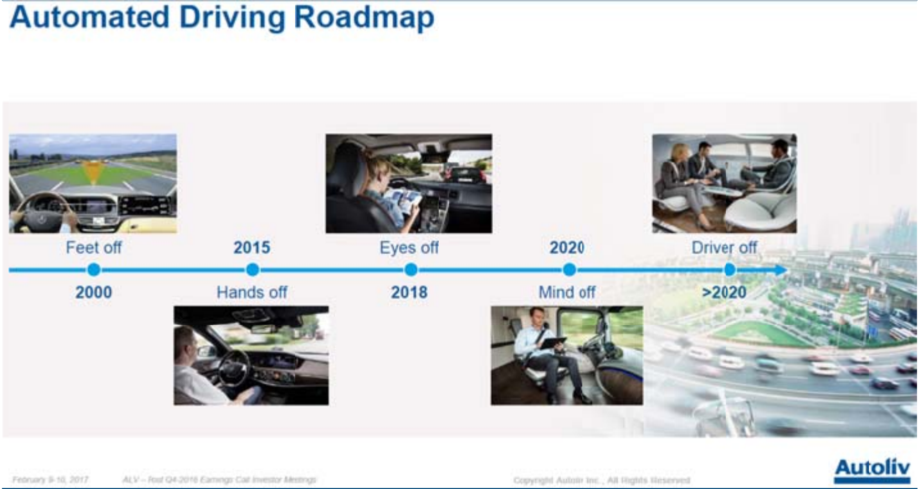
Autonomous driving is a key safety technology for Autoliv



Source: Company reports, finnCap estimates

It has noted FOVIO's role in the 2018 Cadillac's "eye's off" advances.

Autoliv's timeline



Source: Company reports, finnCap estimates

Other Tier-1 relationships too

We see this as another significant step, broadening Seeing Machines' technology footprint in the global automotive industry. In fact, Seeing Machines now maintains multiple Tier-1 relationships, engagements and partnerships; Autoliv has been publicly acknowledged but with the nature of the industry, many are confidential and we expect more to be made public in time.

Aviation & Rail

Air and rail also progressing

While current market updates understandably focus on the immediate road markets, the company continues to develop significant business opportunities across its Aviation and Rail segments. These remain huge market opportunities and we anticipate further announcements on both through FY 2018.

Air and rail market overviews

Source: Company reports

Total market size remains extraordinary

Seeing Machines target markets remain vast with little credible competition.

Market analysis

Market	Fleet	Automotive	Off-Road	Aviation	Rail	Emerging
Application	Fatigue / distraction detection & Intervention - Drivers of Fleet, trucks, coach & LCV	Fatigue / distraction detection, Precision Eye gaze - HMI Enabler for ADAS & Autonomous Driving	Fatigue / distraction/ incapacitation detection for heavy equipment operators	Fatigue / distraction / incapacitation detection for pilots, ATC operators – New Training solutions	Fatigue / distraction / incapacitation for train and metro operators	Multiple Emerging Applications for Eye Tracking, Cognitive state - Seeing, understanding & assisting humans
Product	Retrofit (OEM later)	OEM + Retrofit	Retrofit	Retrofit (OEM later)	Retrofit	All
Growth Drivers	✓ Safety Outcomes ✓ SaaS model ✓ Expand Channels ✓ Telematics vector ✓ Insurance ROI	✓ DMS for ADAS ✓ DMS for AD ✓ Next Gen HMI ✓ Fovio processor ✓ Aftermarket	✓ CAT Channels ✓ CAT Support ✓ New products ✓ New segments	✓ Pilot # crisis ✓ Simulators ✓ Carriers, OEMs ✓ Performance ✓ Single crew	✓ Fatigue big issue ✓ SM = First Mover ✓ PR=market leader ✓ Contract growth	✓ Multiple emerging ✓ Robotics/AI ✓ Healthcare ✓ Consumer/AR/VR ✓ Training/Educate
Market Size	$1.5B SAM by 2023	$1B+ DMS SAM by 2026[2] Aftermarket +20%	3M CAT vehicles SAM and 10M in FOU[3]	600K new pilots required by 2035[4]	200K global locomotive SAM	$35B AI market forecast by 2025[5]

1. Source: Berg Insight June 2016
2. Source: Intel, Strategy Analytics and SML
3. Source: Caterpillar 2017
4. Source: Boeing, CMO 2016

5 Tractica AI report 2017

Source: Company reports

Adjusting forecasts

FY 2017 revenue as expected

The company has provided additional guidance on financial results.

- FY 2017 revenue is on track to meet our forecasts at over A$13m.
- The gross margin will be positive (after the negative GM in H1) and is expected to increase, with a figure of over 30% targeted in FY 2018.

Driven by continued momentum in Fleet, revenue is expected to grow "in-line with market expectations" for FY 2018, rising to "under A$100m" by the end of FY 2019.

FY 2018 will be H2 weighted

We expect that FY 2018 sales will be very H2-weighted due to Fleet revenues. By the nature of Guardian deployment - and customers awaiting the likely introduction of second-generation Guardian devices due to be available from December - over 70% of fleet revenues are anticipated in H2 2018. There are strong orders for H1 but the new devices will be lower-cost and will provide higher profit so H2 deliveries are targeted.

We are making the following adjustments to our forecasts, on the back of the guidance:

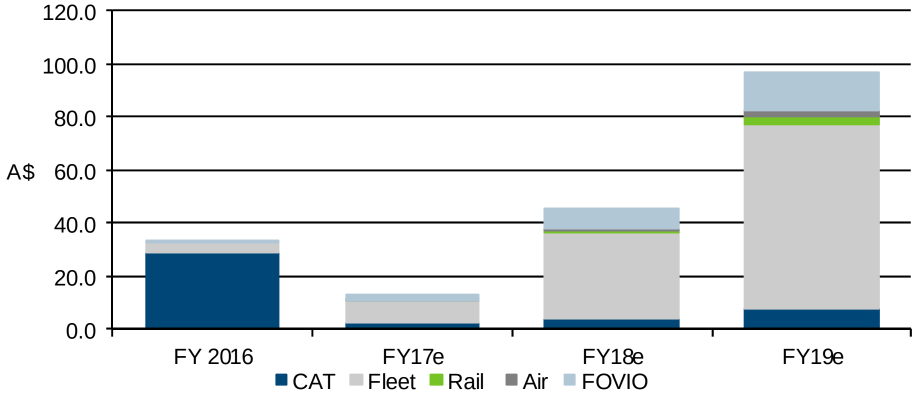
Forecast changes

A$m	FY 2018	FY 2019
Revenue (new)	45.3	97.0
Revenue (old)	52.0	117.8
EBITDA (new)	-20.4	-0.7
EBITDA (old)	-16.7	3.8
Net cash at year end	0.2	2.5

Source: finnCap estimates

Fleet will continue to form the bulk of the revenue with a growing contribution from Automotive in FY 2018 and FY 2019, predominantly from engineering fees.

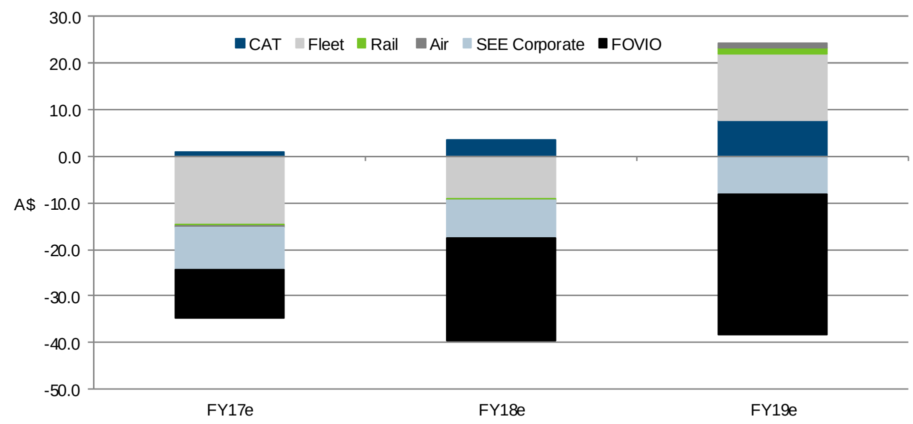
Revenue breakdown



Source: Company reports, finnCap estimates

The CAT royalty business should see significant profit in FY 2018, while we expect Fleet to transition to profit in FY 2019, with Rail and Air also making a contribution. The heavy spending on Automotive will continue throughout.

EBITDA forecast breakdown



Source: finnCap estimates

Breakdown of forecasts						
AUD	FY 2017e	FY18e	FY19e	FY20e	FY21e	FY21e
Y/E	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22
Revenue						
CAT	2.4	3.7	8.0	13.0	16.4	19.0
Fleet	8.3	32.5	68.9	105.5	145.8	171.0
Rail	0.2	1.0	3.0	7.0	11.0	15.0
Air	0.2	1.0	3.0	7.0	11.0	15.0
Automotive	2.3	7.2	14.1	23.9	38.6	59.5
	13.4	45.3	97.0	156.4	222.9	279.5
Gross Profit						
CAT	2.3	3.7	8.0	13.0	16.4	19.0
Fleet	0.3	5.5	29.5	62.4	100.4	131.1
Rail	0.2	0.7	2.1	4.9	7.7	10.5
Air	0.2	0.7	2.1	4.9	7.7	10.5
Automotive	-1.2	5.7	10.0	16.1	24.9	37.3
	1.8	16.3	51.7	101.3	157.1	208.4
	13%	36%	53%	65%	71%	75%
Overheads						
CAT	-1.5	-0.2	-0.2	-0.2	-0.2	-0.2
Fleet	-15.0	-14.5	-15.2	-16.0	-16.8	-17.6
Rail	-0.5	-1.0	-1.0	-2.0	-4.0	-4.0
Air	-0.5	-1.0	-1.0	-2.0	-4.0	-4.0
SEE overheads	-11.0	-8.0	-8.0	-9.0	-10.0	-10.0
Automotive	-8.0	-16.0	-27.0	-36.0	-35.0	-40.0
	-36.5	-40.7	-52.4	-65.2	-70.0	-75.8
EBITDA						
CAT	0.8	3.5	7.8	12.8	16.2	18.7
Fleet	-14.7	-9.0	14.3	46.5	83.6	113.5
Rail	-0.3	-0.3	1.1	2.9	3.7	6.5
Air	-0.3	-0.3	1.1	2.9	3.7	6.5
SEE	-11.0	-8.0	-8.0	-9.0	-10.0	-10.0
Automotive	-9.2	-10.3	-17.0	-19.9	-10.1	-2.7
Gov. grants	3.1	4.0	0.0	0.0	0.0	0.0
	-31.7	-20.4	-0.7	36.2	87.1	132.6

Source: finnCap

Potential extra investment

Increased investment envisaged

In the update, management has flagged continued investment in the automotive platform and the requirement to support high levels of engagement with both OEMs and Tier-1 suppliers across all its target markets: automotive, rail and aviation. This could involve up to A$50m over the next two years in technology advancement and deployment.

Seeking strategic investment

While strong growth is expected from Guardian, clearly the company does not have these funds available at present. Seeing Machines continues to actively explore discussions with a number of potential strategic and financial partners with regards to supply agreements, joint ventures and strategic investment.

Additional R&D areas targeted

Should additional funds become available, management has suggested that it would undertake significant extra investment in the core platform beyond our forecasts, which are based on current resources. This would accelerate product roadmaps (mainly Automotive and Fleet at present) and build machine-learning infrastructure. We note that management sees significant opportunities in Machine Learning and Artificial Intelligence. Indeed the business is developing into an "AI vision platform"; it has world-class capabilities in this area, which we believe will become extremely valuable in future.

Engineering spend on a common platform

The core technology platform investment is needed for all markets - not just Automotive. Whilst some R&D/engineering spend is unique to each unit (Fleet, Aviation and Automotive), the majority is invested in a common platform - key to group strategy. Automotive DMS clearly needs it first at the leading edge of deployment but all markets will need the DMS roadmap functionality in time.

Not developing a chip

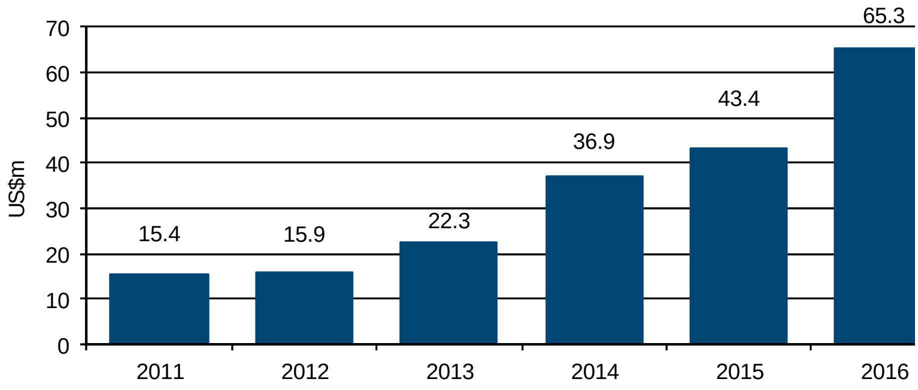
We note that the vast majority of spend is not in developing a chip; the company selected the FPGA platform to avoid such extra cost and risk. Field Programmable Gate Arrays are chips configured after manufacturing, aiming for the benefit of a hardware-optimized accelerated product without the heavy cost of chip development. There will be applications and architectures for which the FOVIO processor hardware will be a good fit, and some (more basic/early stage) that will suit a firmware approach.

Current investment is slight compared to industry

While the currently forecast spending seems heavy in the present scale of the company and indeed the AIM market, we recognise that it is minimal in the usual scale of the global automotive industry.

- Mobileye spent over US$65m on R&D last year alone and has spent almost US$200m over the last six years developing its automotive camera system. Seeing Machines has spent less than US$18m on R&D across FY 2015, FY 2016 and H1 2017 – a pittance in comparison.

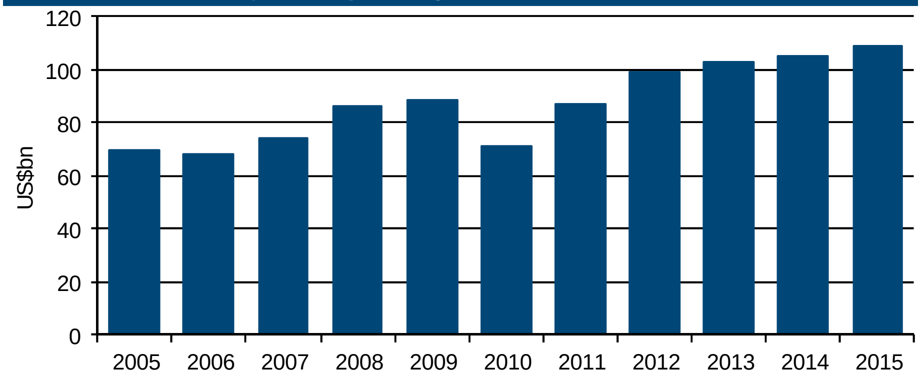
Mobileye R&D spending



Source: finnCap

- The automotive industry as a whole spends over $100bn annually on R&D:

Automotive industry R&D spending



Source: PWC Innovation 1000 study

Further investing in business

Beyond R&D, funds might be used to scale the Fleet business (sales, support and operations) and build the global footprint (US and Europe, followed by Japan, Korea, and China).

Majority of additional spend in next two years

In such a scenario, we estimate an additional A$17.1m would be spent in FY 2018 (A$ 11.6m expensed and A$5.5m capitalised) and an additional A$14.3m in FY 2019 (A$1.0m of it capitalised), increasing the EBITDA losses to A$32.0m and A$14.0m respectively. We envisage some relatively small further spending in FY 2020 and FY 2021, although by then the group should be making significant profit to fund it.

Proposed extra R&D spend with supplementary funding

A$m	FY 2018E	FY 2019E	FY 2020E	FY 2021E
Revenue as forecast	45.3	97.0	156.4	222.9
Forecast EBITDA	-20.4	-0.7	36.2	87.1
Proposed extra R&D	*-11.6*	*-13.3*	*-6.0*	*-5.0*
Revised EBITDA	-32.0	-14.0	30.2	82.1
Proposed extra R&D capex	*-5.5*	*-1.0*	*0.0*	*0.0*
Cash (Debt) at Y/E	-16.2	-28.2	8.1	96.7

Source: Company reports, finnCap estimates

A$30m funding potential

This suggests at least an additional c.A$30m would be required for such additional investment before the company begins to earn cash for any further investment.

Income Statement					
Year ending June (A$m)	2015A	2016A	2017E	2018E	2019E
Sales	**12.9**	**33.6**	**13.4**	**45.3**	**97.0**
Sales growth (%)	*-23.3*	*161.0*	*-60.1*	*238.8*	*114.0*
Cost of sales	-7.1	-6.3	-11.6	-29.0	-45.3
Gross profit	**5.7**	**27.3**	**1.8**	**16.3**	**51.7**
Gross margin (%)	*44.5*	*81.3*	*13.2*	*36.0*	*53.3*
Operating expenses	-20.4	-29.2	-33.4	-36.7	-52.4
Adjusted EBITDA	**-14.7**	**-1.9**	**-31.7**	**-20.4**	**-0.7**
Depreciation/Amortisation	-0.6	-0.9	-1.0	-2.0	-2.0
Adjusted EBIT	**-15.3**	**-2.8**	**-32.6**	**-22.4**	**-2.7**
Adjusted EBIT margin (%)	*-119.3*	*-8.3*	*-243.8*	*-49.4*	*-2.8*
Associates/Other	0.0	0.0	0.0	0.0	0.0
Net interest	0.3	1.4	0.6	0.2	0.0
Adjusted PBT	**-15.1**	**-1.4**	**-32.0**	**-22.2**	**-2.7**
Adjustments	3.1	-0.2	-0.8	-0.4	-0.4
Reported PBT	**-12.0**	**-1.6**	**-32.8**	**-22.6**	**-3.1**
Taxation	0.0	0.0	0.0	0.0	0.0
Tax rate (%)	*nm*	*nm*	*0*	*0*	*0*
Post tax profit	-12.1	-1.6	-32.8	-22.6	-3.1
Minorities	-0.6	-0.1	0.0	0.0	0.0
Reported earnings	-12.7	-1.7	-32.8	-22.6	-3.1
Weighted average no.shares	870.0	981.7	1,204.0	1,487.0	1,487.0
Average no.shares (FD)	870.0	981.7	1,227.5	1,507.0	1,507.0
Stated EPS (c)	**-1.3**	**-0.2**	**-2.7**	**-1.5**	**-0.2**
Adj. EPS (FD) (c)	**-1.8**	**-0.2**	**-2.6**	**-1.5**	**-0.2**
DPS (c)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Source: Company reports, finnCap estimates

Cash Flow					
Year ending June (A$m)	2015A	2016A	2017E	2018E	2019E
EBITDA	**-14.7**	**-1.9**	**-31.7**	**-20.4**	**-0.7**
Net change in working capital	-4.1	-4.5	13.0	3.0	7.0
Share based payments	0.0	0.0	0.0	0.0	0.0
Profit/loss on disposal	0.0	0.0	0.0	0.0	0.0
Net pensions charge	0.0	0.0	0.0	0.0	0.0
Change in provision	0.0	0.0	0.0	0.0	0.0
Other items	0.0	0.0	-0.8	0.0	0.0
Operating cash flow	**-18.8**	**-6.4**	**-19.4**	**-17.4**	**6.3**
Cash interest	0.3	1.4	0.2	0.2	0.0
Tax paid	-0.1	0.0	0.0	0.0	0.0
Capex	-2.7	-2.5	-4.0	-4.0	-4.0
Free cash flow	**-21.3**	**-7.6**	**-23.3**	**-21.2**	**2.3**
Disposals	0.0	-1.1	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Other	2.1	-1.7	-0.1	0.0	0.0
Issue of share capital/(Buyback)	10.8	13.2	27.7	0.0	0.0
Net Change in cash flow	**-8.4**	**2.7**	**4.3**	**-21.2**	**2.3**
Opening net (debt)/cash	22.7	14.4	17.1	21.4	0.2
Closing net (debt)/cash	**14.4**	**17.1**	**21.4**	**0.2**	**2.5**

Source: Company reports, finnCap estimates

Balance Sheet					
Year ending June (A$m)	2015A	2016A	2017E	2018E	2019E
Tangible assets	0.9	0.7	0.0	-1.0	-2.0
Goodwill	0.0	0.0	0.0	0.0	0.0
Other intangible	3.2	10.7	9.9	12.9	15.9
Other	0.1	0.1	0.1	0.1	0.1
Non current assets	**4.2**	**11.5**	**10.1**	**12.1**	**14.1**
Inventories	10.2	8.4	6.6	6.2	5.5
Trade receivables	7.2	6.8	0.6	-2.3	-9.3
Cash	14.2	16.9	21.3	0.1	2.4
Other	0.5	1.0	1.7	1.7	1.7
Current assets	**32.1**	**33.1**	**30.2**	**5.7**	**0.3**
Trade payables	-4.1	-1.8	-0.8	-0.5	0.2
Other current liabilities	-2.0	-2.4	-3.7	-3.7	-3.7
Short term debt	0.0	0.0	0.0	0.0	0.0
Net current assets	**26.0**	**28.9**	**25.7**	**1.5**	**-3.3**
Long term debt	0.0	0.0	0.0	0.0	0.0
Pension	0.0	0.0	0.0	0.0	0.0
Other/Minorities	0.0	0.0	0.0	0.0	0.0
Net assets	**30.1**	**40.4**	**35.7**	**13.5**	**10.8**
Net working capital	*13.3*	*13.4*	*6.4*	*3.4*	*-3.6*
NAV per share (c)	*3.7*	*3.8*	*2.4*	*0.9*	*0.7*
NTA per share (c)	*3.3*	*2.8*	*1.7*	*0.0*	*-0.3*

Source: Company reports, finnCap estimates

Key Shareholders

	%
Hunter Hall	14.1
VS International Venture	11.8
Hargreaves Lansdown	7.2
Miton	5.7
Herald	4.2
TD Waterhouse	4.1
Fidelity	3.1

Distribution of Ratings

	%
Buy	n/a
Hold	n/a
Sell	n/a

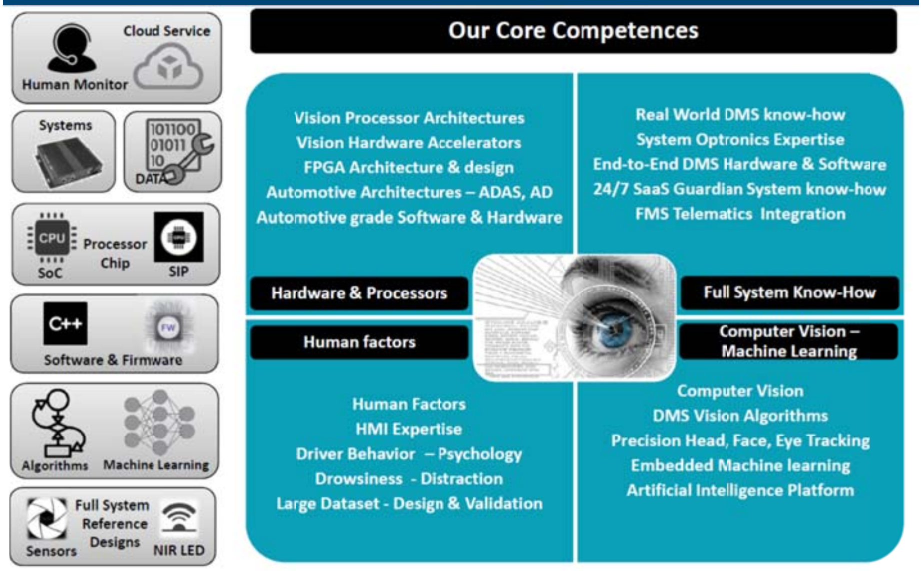
Management Summary

Mike McAuliffe	CEO
James Palmer	CFO
Ken Kroeger	Executive Chairman

Company Description

Seeing Machines specializes in operator monitoring and intervention technologies and services. Its software, hardware and engineering services are used in products and applications that range from devices that improve driver safety and save lives to assessing trainees in simulators and simplifying the relationships between people and technology. The technology is used worldwide across the automotive, mining, rail and aviation industries; as well as many of the leading academic research groups and transport authorities. The company was founded by Timothy Edwards, Sebastian Rougeaux, Alexander Zelinsky and Jochen Heinzmann in 2000 and is headquartered in Canberra, Australia.

Seeing Machines technology stack



Source: Company reports

NOTES

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