

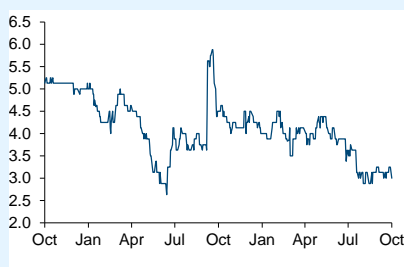
Seeing Machines*



17 October 2017

Ticker	SEE	
Price	3.0p	
Target Price	12.0p	
Upside	300.0%	
Market Cap	£44.6m	
Market	AIM	
Sector	Tech Hardware & Equipment	
Net Cash	A\$22.0m	
Shares in Issue	1,486.5m	
Next Results	Interims in February	
What's changed	From	To
Adj. EPS (FD)	-1.5c	-1.6c
Recommendation		
Target Price	12.0p	n/c

Share Price Performance



Source: Thomson Reuters

%	1M	3M	12M
Actual	-7.7	-14.3	-49.0

Company Description

Development of innovative vision-based human/machine interfaces

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Guidance for sales trebling despite cash constraints **CORP**

The trading update notes an A\$200m pipeline of opportunities; however, prudent resource constraints have forced a slowdown in spending on the Fleet business roll-out with a knock-on impact to this year's revenue and losses. Since the sale of the Off-Road business to Caterpillar, Fleet is the main revenue-driving division. On the back of this update, we are easing our Fleet - and therefore group - revenue and earnings forecasts for FY 2018 and FY 2019. Nevertheless, Seeing Machines is still demonstrating extremely strong sales growth, issuing guidance that it expects to more than treble revenue this year from A\$13m to around A\$40m, and then double this again in the year to June 2019 at c.A\$80m. By then, OEM Automotive, Rail and Aerospace divisions should all be making strong sales contributions to augment the Fleet division growth.

► **New guidance:** The recurring telematics-type Fleet contracts, together with the advance multi-year contracts in Automotive, should give increasing revenue visibility as the roll-out progresses. On current spending, the company anticipates FY 2018 revenues trebling to between A\$38m to A\$43m and doubling that again for FY 2019 to A\$78m to A\$88m.

► **Near term driven by Fleet** with c.A\$200m pipeline of opportunities, notably in large US fleets; new opportunities in EMEA; distribution partners in APAC; and global Telematics partners such as Mix Telematics and GeoTab.

Change in forecasts

FY 2018 estimates (Jun Y/E)		previous	new	delta
Revenue	A\$m	45.3	40.4	-11%
Adj EBITDA	A\$m	-21.4	-23.8	11%
Adj PBT	A\$m	-23.2	-26.2	13%
Adj EPS (FD)	c	-1.5	-1.6	7%

► **Success is close:** The first Cadillacs using FOVIO to enable the first hands-free semi-autonomous capability are on US roads. A growing ecosystem of Tier-1 automotive suppliers will take it worldwide; there is "a relentless drumbeat of interest and demand" accelerated by Euro NCAP rating requirements.

Year ending June (A\$m)	2016A	2017A	2018E	2019E	2020E
Data					
Sales (A\$m)	33.6	13.6	40.4	81.5	131.4
Adj EBITDA (A\$m)	-1.4	-25.5	-23.8	-10.0	22.4
Adj PBT (A\$m)	-0.9	-26.3	-26.2	-12.5	20.0
Tax rate (%)	nm	nm	0	0	nm
Adj EPS (FD) (c)	-0.1	-2.2	-1.6	-0.8	1.2
DPS (c)	0.0	0.0	0.0	0.0	0.0
Ratios					
EV/Sales (x)	1.6	3.9	1.3	0.7	0.4
EV/EBITDA (x)	n/a	n/a	n/a	n/a	2.4
P/E (x)	n/a	n/a	n/a	n/a	4.1
Yield (%)	0.0	0.0	0.0	0.0	0.0
Cash flow yield (%)	-10.1	-26.4	-28.1	-0.1	37.8
EPS growth (%)	94.0	1,895.4	24.9	52.1	259.3

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Key Financials

Income Statement					
Year ending June (A\$m)	2016A	2017A	2018E	2019E	2020E
Sales	33.6	13.6	40.4	81.5	131.4
Gross profit	27.3	0.1	15.9	43.2	84.2
Operating expenses	-28.7	-25.6	-39.7	-53.2	-61.8
Adjusted EBITDA	-1.4	-25.5	-23.8	-10.0	22.4
Depreciation/Amortisation	-0.9	-1.3	-2.5	-2.5	-2.5
Adjusted EBIT	-2.3	-26.8	-26.3	-12.5	19.9
Associates/Other	0.0	0.0	0.0	0.0	0.0
Net interest	1.4	0.5	0.1	0.0	0.1
Adjusted PBT	-0.9	-26.3	-26.2	-12.5	20.0
Adjustments	-0.7	-2.3	-2.0	-2.0	-2.0
Reported PBT	-1.6	-28.5	-28.2	-14.5	18.0
Taxation	0.0	-1.1	0.0	0.0	0.0
<i>Tax rate (%)</i>	<i>nm</i>	<i>nm</i>	<i>0</i>	<i>0</i>	<i>nm</i>
Reported earnings	-1.7	-29.7	-28.2	-14.5	18.0
Average no. shares (FD)	981.7	1,264	1,607	1,607	1,607
Adj. EPS (FD) (c)	-0.1	-2.2	-1.6	-0.8	1.2
DPS (c)	0.0	0.0	0.0	0.0	0.0

Cash Flow					
Year ending June (A\$m)	2016A	2017A	2018E	2019E	2020E
EBITDA	-1.4	-25.5	-23.8	-10.0	22.4
Net change in working capital	-5.0	8.9	3.0	10.0	10.0
Other items	0.0	0.0	0.0	0.0	0.0
Operating cash flow	-6.4	-16.6	-20.8	0.0	32.4
Cash interest	1.4	0.1	0.1	0.0	0.1
Tax paid	0.0	-1.1	0.0	0.0	0.0
Capex	-2.5	-2.2	-0.5	0.0	-4.0
Free cash flow	-7.6	-19.9	-21.2	0.0	28.5
Disposals	-1.1	0.0	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	-1.7	-1.6	0.0	0.0	0.0
Issue of share capital/(Buyback)	13.2	25.9	0.0	0.0	0.0
Net Change in cash flow	2.7	4.5	-21.2	0.0	28.5
Opening net (debt)/cash	14.4	17.1	21.6	0.5	0.4
Closing net (debt)/cash	17.1	21.6	0.5	0.4	28.9

Balance Sheet					
Year ending June (A\$m)	2016A	2017A	2018E	2019E	2020E
Tangible assets	0.7	1.0	0.5	-0.5	-1.5
Goodwill	0.0	0.0	0.0	0.0	0.0
Other intangible	10.7	7.0	5.5	4.0	6.5
Other	0.1	0.1	0.1	0.1	0.1
Non current assets	11.5	8.1	6.1	3.6	5.1
Inventories	8.4	0.7	0.4	-0.7	-1.8
Trade receivables	6.8	7.6	4.6	-5.3	-15.2
Cash	16.9	21.4	0.2	0.2	28.7
Other	1.0	8.8	8.8	8.8	8.8
Current assets	33.1	38.6	14.1	3.0	20.5
Trade payables	-1.8	-5.6	-5.3	-4.3	-3.3
Other current liabilities	-2.4	-3.5	-3.5	-3.5	-3.5
Short term debt	0.0	0.0	0.0	0.0	0.0
Net current assets	28.9	29.5	5.3	-4.8	13.7
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	40.4	37.6	11.4	-1.2	18.8
<i>Net working capital</i>	<i>13.4</i>	<i>2.7</i>	<i>-0.3</i>	<i>-10.3</i>	<i>-20.3</i>
<i>NAV per share (c)</i>	<i>3.8</i>	<i>2.5</i>	<i>0.8</i>	<i>-0.1</i>	<i>1.3</i>
<i>NTA per share (c)</i>	<i>2.8</i>	<i>2.1</i>	<i>0.4</i>	<i>-0.4</i>	<i>0.8</i>

Ratio Analysis					
Year ending June	2016A	2017A	2018E	2019E	2020E
Growth					
Revenue growth (%)	161.0	-59.6	198.2	101.5	61.3
EBITDA growth (%)	90.3	1,687	6.6	57.8	322.9
EPS growth (%)	94.0	1,895.	24.9	52.1	259.3
		4			
DPS growth (%)	n/a	n/a	n/a	n/a	n/a
Returns					
Gross margin (%)	81.3	0.6	39.3	53.0	64.0
EBITDA margin (%)	n/a	n/a	n/a	n/a	17.0
EBIT margin (%)	n/a	n/a	n/a	n/a	15.1
RoE (%)	n/a	n/a	n/a	1,254	95.5
RoCE (%)	n/a	n/a	n/a	1,124	105.4
Liquidity					
Net debt/equity (%)	n/a	n/a	n/a	38.5	n/a
Net debt/EBITDA (x)	12.0	0.8	0.0	0.0	n/a
Interest cover (x)	nm	nm	nm	nm	nm
Net working capital to sales (%)	39.9	19.7	-0.8	-12.7	-15.5
Cash conversion (%)	533.1	78.0	89.1	0.4	127.3
Dividend cover (x)	n/a	n/a	n/a	n/a	n/a

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