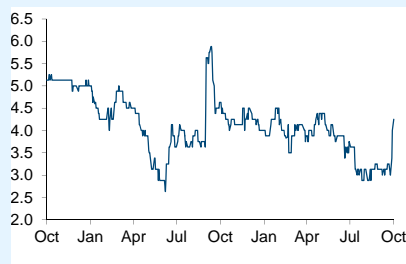


24 October 2017

Ticker	SEE	
Price	4.3p	
Target Price	12.0p	
Upside	182.0%	
Market Cap	£63.2m	
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)	-1.6c	n/c
Recommendation		
Target Price	12.0p	n/c

Share Price Performance



Source: Thomson Reuters

%	1M	3M	12M
Actual	+35.8	+21.4	-15.0

Company Description

Development of innovative vision-based human/machine interfaces

Analyst:

Lorne Daniel 020 7220 0545
ldaniel@finncap.com

Sales:

Rhys Williams 020 7220 0522
rwilliams@finncap.com
Stephen Joseph 020 7220 0520
sjoseph@finncap.com
Tony Quirke 020 7220 0517
tquirke@finncap.com
Sunila de Silva 020 7220 0521
sdesilva@finncap.com
Malar Velaigam 020 7220 0526
mvelaigam@finncap.com

Sales Traders:

020 7220 0531
STX 73240

Seeing stars

CORP

Driver Monitoring Systems (DMS) are becoming a core element in the next generation of vehicles, initially augmenting drivers' abilities but eventually underpinning a safe migration to vehicle autonomy. Last month, Euro NCAP (the European body responsible for vehicle safety ratings and testing) identified a DMS system as a key criterion in its stars classification system; from 2020, if an OEM wants a five-star rating for a new model, it will need to have a good DMS solution on board. Time is tight; it takes three or more years to design and start producing a new vehicle model and Seeing Machines is a clear market leader, with its Fovio solution already in production and actually on the road with GM. This will certainly sharpen the focus for the dozen OEMs currently working with the technology.

► **Fatigue and distraction issues.** Technology can be its own worst enemy; the growing use of smartphones and improving semi-autonomous vehicle capability will lead to much higher levels of distraction on the roads; drivers switching off when they simply can't afford to yet. To deal with this, automotive and transport regulatory, rating and investigative bodies around the world have begun to issue new recommendations for DMS as an integral part of new vehicle designs; both Euro NCAP and the US NTSB are recommending imminent deployment of advanced DMS technology.

► **Also for AV migration.** DMS will help to reduce the obvious risks associated with the migration to AV. Technology is not yet at a level where a vehicle can cope with all of the issues encountered on the road and effective DMS is essential to a safe co-pilot function to ensure that drivers remain sufficiently engaged and/or ready to re-assume control as and when required.

► **Market leadership.** Seeing Machines' Fovio technology is backed by years of real-world experience and data gained from use in the mining industry - in some of the harshest environments on the planet. That technology has been approved and adopted for use by the likes of Caterpillar and General Motors while its rivals remain in the lab. As OEMs have to make a rapid decision on design-in of a DMS system, we foresee even greater demand for Fovio over the next few years.

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)	2.5	6.2	2.1	1.0	0.6
EV/EBITDA (x)	n/a	n/a	n/a	n/a	3.7
P/E (x)	n/a	n/a	n/a	n/a	5.7
Yield (%)	0.0	0.0	0.0	0.0	0.0
Cash flow yield (%)	-7.2	-18.8	-20.1	0.0	27.0
EPS growth (%)	94.0	1,895.4	24.9	52.1	259.3

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	1,608	1,608	1,608
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	1,688	6.6	57.8	322.9
EPS growth (%)	94.0	1,895	24.9	52.1	259.3
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	1,125	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

Research					
Mark Brewer	020 7220 0556	mbrewer@finncap.com	Guy Hewett	020 7220 0549	ghewett@finncap.com
David Buxton	020 7220 0542	dbuxton@finncap.com	Mark Paddon	020 7220 0541	mpaddon@finncap.com
Lorne Daniel	020 7220 0545	ldaniel@finncap.com	Martin Potts	020 7220 0544	mpotts@finncap.com
Andrew Darley	020 7220 0547	adarley@finncap.com	Alex Pye	0207 220 0554	apye@finncap.com
Harold Evans	020 7220 0552	hevans@finncap.com	Roger Tejwani	020 7220 0548	rtejwani@finncap.com
Jeremy Grime	020 7220 0550	jgrime@finncap.com	Dougie Youngson	020 7220 0543	dyoungson@finncap.com
Raymond Greaves	020 7220 0553	rgreaves@finncap.com			
Corporate Broking					
Sultan Awan	020 7220 0592	sawan@finncap.com	Alice Lane	020 7220 0523	alane@finncap.com
Andrew Burdis	020 7220 0524	aburdis@finncap.com	Emily Morris	020 7220 0511	emorris@finncap.com
Richard Chambers	020 7220 0514	rchambers@finncap.com	Stephen Norcross	020 7220 0513	snorcross@finncap.com
Camille Gochez	020 7220 0518	cgochez@finncap.com	Tim Redfern	020 7220 0515	tredfern@finncap.com
Mia Gardner	020 7220 0512	mgardner@finncap.com	Abigail Wayne	020 7220 0594	awayne@finncap.com
Simon Johnson	020 7220 0525	sjohnson@finncap.com			
Sales					
Stephen Joseph	020 7220 0520	sjoseph@finncap.com	Louise Talbot	020 3772 4651	ltalbot@finncap.com
Tony Quirke	020 7220 0517	tquirke@finncap.com	Malar Velaigam	020 7220 0526	mvelaigam@finncap.com
Sunila de Silva	020 7220 0521	sdesilva@finncap.com	Rhys Williams	020 7220 0522	rwilliams@finncap.com
Investor Relations					
Lianne Tucker	020 7220 0527	ltucker@finncap.com	Lisa Welch	020 7220 0519	lwelch@finncap.com
Lucy Nicholls	020 7220 0528	lnicholls@finncap.com			
Sales Trading					
Kai Buckle	020 7220 0529	kbuckle@finncap.com	Danny Smith	020 7220 0533	dsmith@finncap.com
Mark Fidgen	020 7220 0536	mfidgen@finncap.com	Oliver Toleman	020 7220 0531	otoleman@finncap.com
David Loudon	020 7220 0530	dloudon@finncap.com			
Market Makers					
Steve Asfour	020 7220 0539	sasfour@finncap.com	James Revell	0207 220 0532	jrevell@finncap.com
Russell Jackson	020 7220 0538	rjackson@finncap.com	Ben Tonnison	020 7220 0535	btonnison@finncap.com
Investment Companies					
Johnny Hewitson	020 7220 0558	jhewitson@finncap.com	Mark Whitfeld	020 3772 4697	mwhitfeld@finncap.com

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60 New Broad Street
London EC2M 1JJ

Tel 020 7220 0500

Fax 020 7220 0597

Email info@finncap.com

Web www.finncap.com

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