



Mobilicom Ltd

3, 2, 1...go! Drone revenue set for lift-off

Mobilicom (ASX:MOB) listed on the ASX in May 2017 after raising A\$7.5m at an IPO offer price of A\$0.20ps, and acquiring Mobilicom Israel. The communication solutions developed and produced in Israel by Mobilicom Israel are based on an innovative approach merging 4G and mobile-mesh (each unit is a transmitter, receiver and transponder) communication technologies. As a result, the Mobilicom communication units (MCUs) can operate without existing infrastructure, are private, flexible, and faster than alternative communication solutions i.e., WiFi Mesh, Cellular, digital video broadcasting.

MOB is now positioned to take advantage of the growing need for highly secure, mission-critical private network solutions in sectors such as maritime facilities, on-land remote/unmanned facilities, disaster relief and public safety, security and surveillance. Sales are in a growth phase; currently, the group has secured a worldwide customer base (40 customers in 15 countries) in government organisations, military and enterprises. MOB has also identified that a massive emerging opportunity exists in unmanned vehicles, robotics and unmanned aerial vehicles (drones). MOB's SkyHopper division has developed a portfolio of products which offers "end-to-end" hardware, software, support and integration services for the commercial UAV and robotics markets. MOB's integrated product offering is a key differentiator, and is, we suggest, an important reason why MOB has (already) integrated with 50 commercial drone manufacturers, and has won 10 design wins. These design wins indicate that the SkyHopper brand is in a strong sales position as the commercial drone market ramps up. Industry analysts "inside unmanned systems" forecasts that the drone market will grow from current levels of ~US\$9bn to ~US\$20bn by 2025, with this growth underpinned by increasing military and new commercial applications. Commercial sectors that are forecast to employ drone technology include agriculture, oil and gas, utility and power, real estate, insurance, mining, film, media, scientific research, first responders, and delivery.

Revenue forecast

In the last reported financial year (FY17A), MOB reported revenue of A\$1.5m (all from the Mobilicom division); in the current financial year (FY18E), we forecast group revenue of A\$3m, A\$2.7m from the Mobilicom division and maiden revenue of A\$300k from the SkyHopper division. In FY20E we forecast group revenue of A\$8.3m, A\$5.3m from the Mobilicom division and A\$2.9m from the SkyHopper division. By FY25E we forecast group revenues of A\$220m, A\$20m from Mobilicom and A\$200m from SkyHopper. **Our FY17A-FY25E revenue profile implies eight (8) year CAGR of 85%.**

Target price: A\$0.64

Our DCF value for MOB is A\$420m (A\$1.80 per diluted share). Predicated on our forecast earnings profile, we calculate MOB's two-year rolling (diluted) EPS at 1.0c. At an assumed 2-year PE multiple of 25x, we calculate the group's EPS/PER multiple valuation at 25cps. With MOB's business in its ramp-up phase, we suggest that a 100%-weighted PER valuation underestimates the company's value; conversely, we suggest that (in the absence of corporate activity) a 100%-weighted DCF valuation is too "long-dated". Attaching a 25% weighting to our DCF valuation, and a 75% weighting to the PER valuation, we calculate MOB's target price at 64c per diluted share. At current share price levels of 8c we believe that MOB offers significant upside potential relative. **We initiate coverage on MOB with a Speculative Buy (Higher risk) recommendation.**

30 January 2019

Share Price: A\$0.08

Target Price: A\$0.64

Recommendation
Speculative Buy

Risk Assessment
Higher

IT – Technology Hardware & Equipment

David Brennan, CFA

Senior Investment Analyst

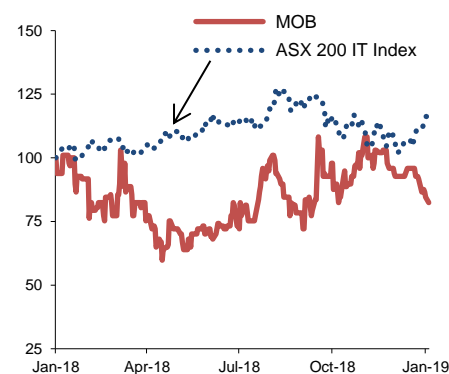
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Mobilicom Limited

ASX Code	MOB
52- week range	A\$0.06-A\$0.11
Market Cap (diluted) (A\$m)	19
Shares (diluted) (m)	233
Av Daily Turnover (shares)	185k
ASX All Ordinaries	5,880
2018E BV per share (A\$c)	2.1
2018E EPS (A\$c)	-1.1
2018E Net Cash/(Debt) (A\$m)	5.7

Relative price performance



Source: Iress

Financial Statements

Mobilicom Limited (MOB)

Year ending December

Profit & Loss Statement (A\$m)	FY17A	FY18E	FY19E	FY20E	FY21E
Revenue	1.5	3.0	8.3	17	28
Cost of sales	(0)	(0.8)	(2.1)	(4)	(7)
Selling, marketing, G&A	(2.2)	(2.5)	(3.5)	(5.0)	(6.0)
R&D	(2.1)	(2.5)	(3.50)	(5.0)	(6.0)
EBITDA	(3.1)	(2.8)	(0.8)	2.6	8.8
Depreciation & Amortisation	0.0	0.0	0.0	0.0	0.0
Operating profit	(3.1)	(2.8)	(0.8)	2.6	8.8
NOI	(3.0)	0.1	0.0	0.0	0.0
EBIT	(6.1)	(2.6)	(0.8)	2.6	8.8
Interest income	0.0	0.2	0.2	0.2	0.2
Interest expense	0.0	0.0	0.0	0.0	0.0
Tax expense	0.0	0.0	0.0	(0.8)	(2.7)
Reported NPAT	(6.1)	(2.4)	(0.6)	1.9	6.3
Normalised NPAT	(4.0)	(2.5)	(0.6)	1.9	6.3

EBITDA margin (%)	na	na	na	16%	32%
Operating profit margin (%)	na	na	na	16%	32%
EPS Reported (A\$c)	(3.7)	(1.02)	(0.3)	0.8	2.7
EPS Normalised (A\$c)	(2.4)	(1.1)	(0.3)	0.8	2.7
Dividend payout (%)	na	na	na	0%	0%
DPS (A\$c)	0.0	0.0	0.0	0.0	0.0
Dil Av no. of shares (m)	163	233	233	233	233
Dil YE no. of shares (m)	233	233	233	233	233

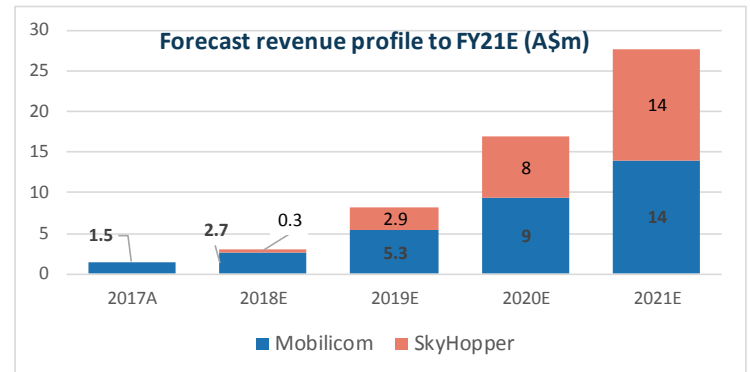
Cash Flow Statement (A\$m)	FY17A	FY18E	FY19E	FY20E	FY21E
EBITDA	(3.1)	(2.8)	(0.8)	2.6	8.8
Investment in working capital	(0.2)	0.0	0.1	0.3	0.3
Tax expense	0.0	0.0	0.0	(0.8)	(2.7)
Operating Cash Flow	(3.3)	(2.8)	(0.7)	2.0	6.4
Capex	(0.0)	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	(0.0)	0.0	0.0	0.0	0.0
Net interest received / (paid)	0.0	0.2	0.2	0.2	0.2
Debt draw down / (repayment)	(3.5)	0.0	0.0	0.0	0.0
Dividends declared	0.0	0.0	0.0	0.0	0.0
Equity raised / (repaid)	13.5	0.0	0.0	0.0	0.0
Financing Cash Flow	10.0	0.2	0.2	0.2	0.2
Non-operating & Other	(2.7)	0.1	0.0	0.0	0.0
Inc/(Dec) in Cash	4.0	(2.4)	(0.6)	2.2	6.7

Balance Sheet (A\$m)	FY17A	FY18E	FY19E	FY20E	FY21E
Cash & Deposits	8.1	5.7	5.2	7.4	14.0
Receivables	0.4	0.4	1.2	2.4	3.9
Inventories	0.3	0.3	0.8	1.7	2.8
Other Current Assets	0.0	0.0	0.0	0.0	0.0
PPE and Exploration & Development	0.0	0.0	0.0	0.0	0.0
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0
Total Assets	8.8	6.5	7.2	11.4	20.7
Payables and other current Liabilities	0.9	0.9	2.2	4.5	7.5
Short Term Debt	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	0.0	0.0	0.0
Other Non Current Liabilities	0.6	0.6	0.6	0.6	0.6
Total Liabilities	1.5	1.5	2.8	5.2	8.1
Total Equity	7.3	5.0	4.3	6.3	12.6
Net Cash / (Debt)	8.1	5.7	5.2	7.4	14.0

Major Shareholders	%	Date
IBI Trust Management	48.5	
Morgan Stanley Mominee	4.7	Feb-18
Lancing Liquid Relative Value Fund	4.6	

Source: Company, IRESS, State One Stockbroking forecasts

Revenue composition (A\$m)	FY17A	FY18E	FY19E	FY20E	FY21E
Mobilicom	1.5	2.7	5.3	9.3	14.0
SkyHopper	0.0	0.3	2.9	7.5	13.8
Total	1.5	3.0	8.3	16.8	27.8
YoY % change	-	97%	175%	104%	65%



Leverage	FY17A	FY18E	FY19E	FY20E	FY21E
Net Debt/Equity	110%	115%	119%	117%	111%
Net Debt/Total Assets	91%	88%	72%	64%	68%
Net interest Cover (x)	na	na	na	na	na

Valuation Ratios (x)	FY17A	FY18E	FY19E	FY20E	FY21E
Normalised PER	-ve	-ve	-ve	9.6	3.0
Price/OP Cash Flow	na	na	-24	8.5	2.7
EV (A\$m)	9	12	12	10	3
EV/EBITDA	-3	-4	-15	3.8	0.4
ROE (%)	-83%	-48%	-15%	31%	50%

DCF calculation

	Free Cash Flow	Discount Factor	PV of FCF	Value of Equity
2018	-3	91%	-3	Operating Value 414
2019	-1	83%	-1	Excess Mkt Securities (
2020	2	75%	2	Financial Investments (
2021	6	68%	4	Excess Pension Assets (
2022	17	62%	10	Enterprise Value 421
2023	27	56%	15	Debt (
2024	50	51%	25	Capitalized Operating Leases (
2025	78	47%	36	Retirement Related Liability (
2026	64	42%	27	Preferred Stock (
2027	67	39%	26	Minority Interest (
2028	69	35%	24	Long-Term Operating Provision (
2029	72	32%	23	Restructuring Provision (
2030	75	29%	22	Future Stock Options (
2031	78	26%	21	Stock options (
2032	81	24%	19	Equity Value 421
Cont. Value	844	24%	202	
Operating Value			454	No. shares (million) 23
Continuing value % Operating value			44%	Value per Share (A\$) 1.81
Mid-Year Adjustment Factor			91%	
Operating Value (Adjusted)			414	

Weighted Target Price

Valuation method	Target value (A\$)	Weighting (%)	Share price (A\$)	Capital gain (%)
DCF	1.80	25%	Target	
EPS/PER	0.25	75%	0.64	0.08
				697%

EPS/PER- valuation based on 2-year rolling EPS of 1c (rounded) and PER of 25x

Valuation

DCF valuation

Our estimated DCF value of A\$420m (equivalent to A\$1.80 per diluted share) is predicated on the following assumptions:

- Explicit revenue and EBITDA forecasts over the eight-year forecast period FY18E-FY25E,
- Long-term (i.e., post FY25E) revenue growth of 4%pa (2% volume + 2% US\$ price inflation),
- Long-term (i.e., post FY25E) EBITDA margin of 40% and,
- A discount rate of 10% - equivalent to MOB's estimated cost of equity. COE calculated using a 2.5% risk-free rate, an equity risk premium of 5% and a beta of 1.3x.
- Diluted number of shares calculated at 233m (217m shares in issue plus 16m performance shares).

DCF:

A\$420m

Figure 1: DCF calculation (A\$m)

Year	Free Cash Flow	Discount Factor	PV of FCF	Value of Equity
2018	-3	91%	-3	Operating Value
2019	-1	83%	-1	Excess Mkt Securities
2020	2	75%	2	Financial Investments
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2031	78	26%	21	Stock options
2032	81	24%	19	Equity Value
Cont. Value	844	24%	202	
Operating Value				454
Continuing value % Operating value				44%
Mid-Year Adjustment Factor				91%
Operating Value (Adjusted)				415
				No. shares (million)
				233
				Value per Share (A\$)
				1.80

Source: State One Stockbroking forecasts. Note: Cash and debt as per FY19E forecasts

PE multiple valuation

Predicated on our forecast earnings profile, we calculate MOB's two-year rolling (diluted) EPS at 1.0c. At an assumed 2-year PE multiple of 25x, we calculate the group's EPS/PER multiple valuation at 25cps (rounded).

Note: because of forecast negative EPS in FY18E and FY19E, a one-year earnings multiple valuation for the group is not applicable. We believe our assumed PE rating is realistic relative to the ratings attached to stocks in the high-tech IT space, both domestically and overseas.

Target price, recommendation and risks

With MOB's business in its ramp-up phase, we suggest that a 100%-weighted PER valuation underestimates the company's value; conversely, we suggest that (in the absence of corporate activity) a 100%-weighted DCF valuation is too "long-dated". Attaching a 25% weighting to our DCF valuation, and a 75% weighting to the PER valuation, we calculate MOB's target price at 64c per diluted share.

Figure 2: Target price calculation

Valuation method	Target value (A\$)	Weighting (%)	Target price (A\$)
DCF	1.80	25%	0.64
EPS/PER	0.25	75%	

We believe that with MOB in the early stages of proving its revenue and profit potential to the market, investors will attach greater weighting to near-term performance rather than longer-dated earnings.

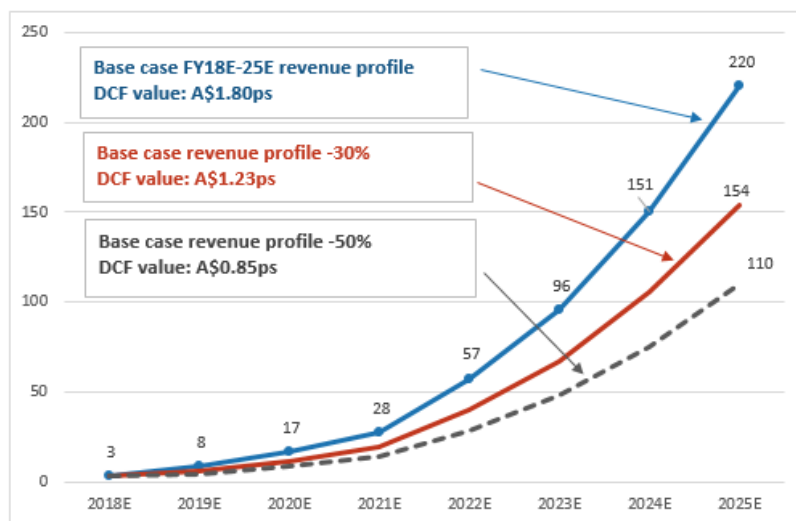
Source: State One Stockbroking forecasts

At current share price levels of 8c we believe that MOB offers significant upside potential relative to our DCF/PER-weighted target price. **We initiate coverage on MOB with a Speculative Buy (Higher risk) recommendation.**

Risks to our EPS profile and target price include but are not limited to: the sales profile of Mobilicom's communication units (MCU), particularly in the SkyHopper (drone) division, which we estimate will account for some 90% of group revenues by FY25E, competition from existing competitors in the mobile mesh space and from new or alternative technology providers, IP risk, key personnel risk, government regulation (particularly relating to drone applications/use), MOB's near-term cash flow before forecast maiden positive EBITDA in FY20E.

The FY18E-FY25E MCU sales profile is a key DCF valuation driver. Our base-case DCF valuation of A\$1.80 per share assumes revenue increasing from A\$3m in FY18E to A\$220m in FY25E (equivalent to 85% CAGR). In a 30% lower revenue scenario, our forecast DCF valuation falls to A\$1.23ps; in a 50% lower revenue scenario, our forecast DCF valuation falls to (a still attractive) A\$0.85ps.

Figure 3: DCF valuation sensitivity to FY18E-FY25E revenue profile



Source: State One Stockbroking forecasts

Target Price: A\$0.64

Recommendation:

**Speculative Buy
(Higher risk)**

ASX peer comparative

Mid to small cap ASX-listed peers in the telecommunication service and/or the UAS (drone) space include:

Codan Limited (ASX:CDA). CDA has a portfolio of technology solutions for metal detection, tracking and defence, in addition to high frequency radio and land mobile radio communication systems.

Department 13 International Ltd (ASX:D13). D13 develops software and communication systems with current applications in drone defence, mobile phone IT security and secure enhanced Android phone systems, and is engaged with multiple counter UAS projects for civil, military and commercial customers.

Droneshield Limited (ASX:DRO). DRO has developed a range of counter-drone security technologies. DRO systems have been used in several recent large-scale public events including the 2018 Olympics and 2018 Commonwealth games. The products are not authorised for use in the US.

Elsight Limited (ASX:ELS). ELS develops encrypted communication technologies for real-time data, video, and audio transmission over cellular networks. ELS's customers range from defence and homeland security, industrial security, broadcasting, first responders and healthcare.

Field Solutions Holdings Limited (ASX:FSG). FSG is a licenced Australian telecommunications carrier providing, building, and operating broadband networks specifically for rural, regional and remote Australia.

Orbital Corp Ltd (ASX:OEC). OEC provides integrated propulsion systems and flight critical components for tactical unmanned aerial vehicles. In December 2017, OEC secured a purpose-built manufacturing facility in Oregon, US.

Parazero Limited (ASX:PRZ). PRZ has developed and patented a safety system for small unmanned aircraft systems (sUAS); the system independently monitors the flight operation of the drone and in the case of flight failure, triggers a patented ballistic parachute to provide a controlled descent.

Sky and Space Global Ltd (ASX:SAS). SAS operates communication infrastructure based on nanosatellite technology. The company launched its first three nanosatellites into space in June 2017 and is looking to launch some 200 more by 2020 to provide global coverage.

Spirit Telecom (ASX:ST1). ST1 is a licenced Australian telecommunications carrier providing super-fast internet access and telephony via fibre-based broadband.

Xtek Limited (ASX:XTE). XTE is a provider of protective security, tactical and forensics solutions for the Australian Homeland Security Market (government, law enforcement, military, commercial). XTE also supplies and maintains small UAS for the Australian army.

5G Networks Limited (ASX:5GN). 5GN is a licenced telecommunications carrier operating across Australia, providing a range of information technology services such as high-speed data networking, Cloud Services and Managed IT to mid-corporate, enterprise and government segments.

Of course, these companies are not directly comparable; they are different stages in their business development and are exposed to different markets and technologies.

Nevertheless, we see that Mobilicom looks undervalued relative to its closest peers, drone defence plays Droneshield (ASX:DRO) and Department 13 (ASX:D13). DRO is trading on an enterprise value (EV) to FY18 revenue multiple of 70.3x; D13 is trading on an enterprise value (EV) to FY18 revenue multiple of 13x. In comparison, we calculate that MOB is trading on an EV/revenue multiple of (only) 5.4x. Note: we suggest that Orbital (ASX:ORB), while also in the drone space, is not directly comparable from a valuation perspective as ORB is generating positive profits and is probably valued on an earnings (P/E) basis rather than a revenue multiple.

We calculate that if MOB was rated at the average DRO/D13 EV/revenue multiple of 42x, MOB's equity value would be closer to A\$123m or A\$0.53 per diluted share.

This, we believe is a useful "sanity check" against our DCF/PER-derived target price of A\$0.64ps.

Figure 4: EV/revenue multiple for MOB and peer group

Company	ASX Code	Revenue (A\$m)	NPAT (A\$m)	EV (A\$m)	EV/revenue multiple (x)
Sky and Space	SAS	0.1	-8.3	100.0	1,409
Droneshield	DRO	0.5	-7.2	33.3	70.3
Elsight	ELS	1.4	-5.4	91.7	67.9
Parazero	PRZ	0.6	-3.0	15.8	27.4
Department 13	D13	2.7	-6.9	35.2	13.0
Mobilicom	MOB	2.8	-2.6	15.0	5.4
5G Networks	SGN	5.4	-0.3	25.1	4.6
Spirit Telecom	ST1	16.2	0.6	47.6	2.9
Codan	CDA	229.9	39.8	529.3	2.3
Orbital	OEC	20.8	2.2	35.3	1.7
Field Solutions	FSG	7.4	-0.4	10.3	1.4
Xtek	XTE	17.3	0.1	9.0	0.5

Source: Companies, IRESS, compiled by State One Stockbroking

Note: Revenue and NPAT as per FY18 annual reports except for Droneshield, Elsight, Parazero and Mobilicom which have December year-ends. Revenue and NPAT for these companies is calculated as interim revenue and NPAT to June 2018 multiplied by two (i.e., annualised).

Note: Enterprise value (EV) calculated as diluted market capitalisation (fully diluted shares x share price) plus debt less cash as at end-June 2018.

Operations

Mobilicom is a hi-tech company that designs, develops and delivers 4G and Mobile Mesh products and technologies to mobile private networks without the need for infrastructure.

The proprietary in-house developed product families are split into two end-customer focused divisions, Mobilicom - which targets the Government and Enterprise Sector, and SkyHopper - which targets the Commercial and Industrial Sector.

Mobilicom

The Mobilicom division offers communication solutions that cater to mission-critical communication in the Government & Enterprise sector, with applications in unmanned vehicles, unmanned or autonomous offshore oil & gas rigs, national security (i.e., customs, army, homeland security) and public safety (i.e., police, emergency response).

In the last reported year FY17 (year-end December 2017), the Mobilicom division accounted for 10.0% of the group's A\$1.5m reported revenue. Products are currently sold to 40 customers including well-known names such as ExxonMobil, Airbus, NTT, Israel Aerospace Industries, Honeywell, and Rafael, in 15 countries including the US, China, France, Japan, Germany and Israel.

One of the core products is the multifunctional Mobilicom's Communication Unit MCU-30 Lite; a 4G combined with Mobile Mesh, IP communications unit that delivers ad-hoc (i.e., decentralised) direct wireless communication including HD video, data and VoIP without the need for any infrastructure. The low power consumption, extra lightweight, battery operated unit delivers a high form-to-performance ratio and is especially designed for installation inside weight-sensitive drones and robotics.

Other units such as the MCU-200 is rain proof, designed to withstand the harshest environments and is suited for large scale mobile network communications including, mobile command posts, security vehicles, towers etc.

Services include network management application and element management application solutions.

Figure 5: MCU-30 unit (LHS) and MCU-200 unit (RHS)



Source: Company

The 4G “Mobile Mesh” technology offers a secure/private alternative to communication technologies such as satellite phones or walkie talkies (radio) commonly used in remote areas. However, it can also offer a secure, higher data and improved connectivity alternative in areas where there is a cellular signal (mobile phones) or digital video broadcasting – terrestrial (DVB-T). MOB uses an offshore oil rig and attendant ships and helicopters as an example of how MOB’s Mobile Mesh system can be used by various elements to communicate (audio, video, data) internally with each other, with the more expensive satellite communications system limited to external communication.

Figure 6: Example of potential use for MOB’s mobile mesh Network

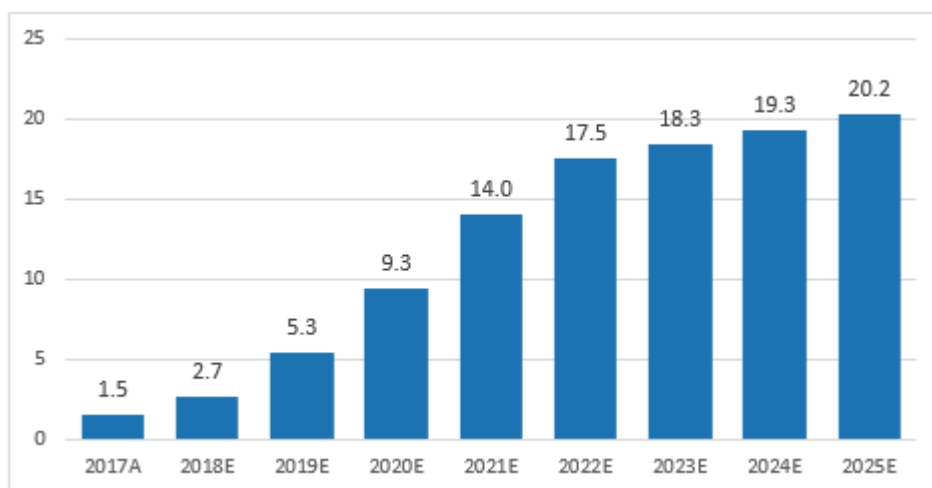


Source: Company

Forecast revenue profile

MOB reported strong (+75%) YoY revenue growth for the June 2018 interim period, on the back of new global customers and the release of new products onto the market. We predict this strong ramp-up in business to continue and over the forecast period (FY17A-FY22E) we forecast five-year CAGR in revenue of ~60%. Post FY23E we assume normalised revenue growth of 5%pa.

Figure 7: Mobilicom division - forecast revenue profile to FY25E (A\$m)



Source: State One Stockbroking forecasts

SkyHopper

MOB made a strategic decision to expand its operations into the Commercial & Industrial sector via the Drone & Robotics market. It has done so by leveraging its core technologies in the Government & Enterprise sector to provide a solution that caters to the unmet needs of a (still) emerging market.

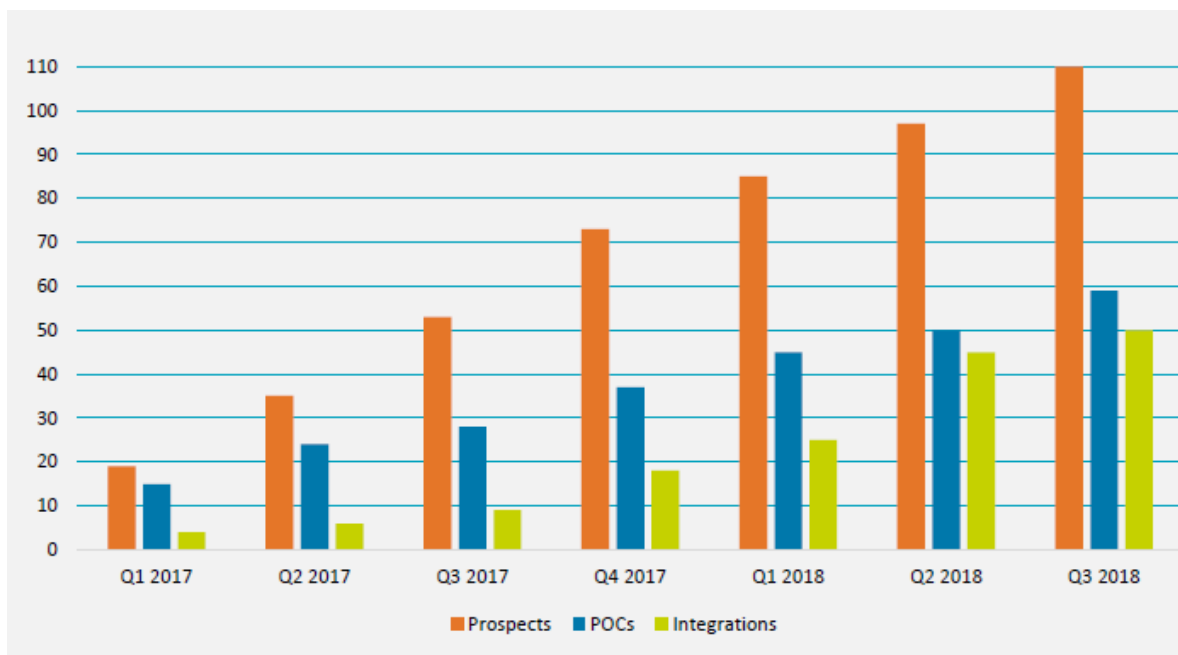
Entering this market is expected to shorten the group's overall sales cycle and drive mass-volume sales of the group's MCUs as the commercial drone market is expected to significantly ramp up over the next ten years.

The Skyhopper product offering includes end-to-end hardware with MCUs for communication and video), software tools, integration services and onsite support. Other products include MCU-RVTs (remote video terminals) and controllers (terminal, tablet, battery pack).

Importantly, SkyHopper has already secured US (FVV), European (CE), and Japanese (TELEC) certification.

As at Q3 2018, SkyHopper has integrated with 50 commercial drone manufacturers worldwide (out of a total of 110 identified prospects) and secured 10 design wins. This reflects, we believe, the value of MOB's integrated product range, which effectively offers a "one-stop shop" to high-end drone manufacturers, and bodes well for conversion into commercial supply agreements.

Figure 8: SkyHopper's business funnel (1Q 2017-3Q 2018)



Source: Company

Note: POC = Proof of Concept

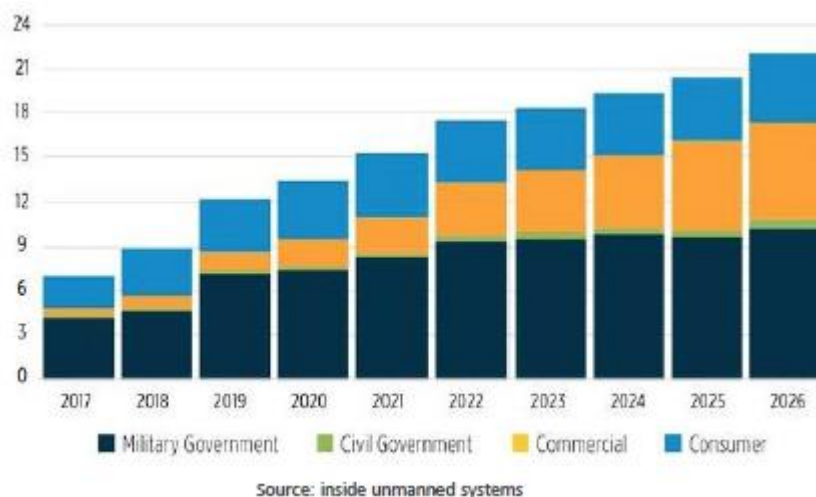
Currently, drones enjoy a somewhat unsavoury reputation; we suggest that the general public largely associates unmanned aerial vehicles (UAV) – the technical name for drones – with either expensive pilotless military aircraft carrying out dubious missions overseas or with small consumer toys buzzing around the local park.

Still, according to a [recent Economist report](#), "Trying to imagine how drones will evolve, and the uses to which they will be put, is a bit like trying to forecast the evolution of computing in the 1960s or mobile phones in the 1980s. Their potential as business tools was clear at the time, but the technology developed in unexpected ways. The same will surely be true of drones."

Forecast revenue profile

Industry analysts "inside unmanned systems" forecasts that the drone market will grow from current levels of ~US\$9bn to ~US\$20bn by 2025, with this growth largely stemming from increasing Military and Commercial applications. Commercial sectors that are forecast to increasingly employ drone technology include agriculture, oil and gas, utility and power, real estate, insurance, mining, film, media, scientific research, first responders, and delivery.

Figure 9: World UAS annual production value forecast (US\$bn)



Source: Company. Original Source: inside unmanned systems

Note: UAS = Unmanned Aerial Systems

MOB is targeting to supply its communication, video, viewer and controller systems to the professional drone segment of the commercial market. Predicated on achieving 10% market share for these systems, we calculate potential revenue for SkyHopper could be some A\$200m in FY25E.

Figure 10: SkyHopper division - forecast revenue profile to FY25E (A\$m)

	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Total UAS market (US\$bn)	7	9	12	13	15	17	18	19	20
Commercial professional drone segment (as % total)	5%	7%	7%	9%	9%	12%	13%	14%	15%
.....in US\$bn	0.4	0.6	0.9	1.1	1.4	2.0	2.3	2.6	3.0
% of drone value in communication, viewer systems	50%	50%	50%	50%	50%	50%	50%	50%	50%
.....in US\$bn	0.2	0.3	0.4	0.6	0.7	1.0	1.2	1.3	1.5
SkyHopper market share (%)	0%	0.1%	1%	1%	2%	3%	5%	8%	10%
SkyHopper revenue (US\$m)	-	0.2	2.2	6	10	30	58	98	150
AUDUSD exchange rate	0.77	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
SkyHopper revenue (A\$m)	-	0.3	3	8	14	40	78	131	200

Source: Company. Original Source: inside unmanned systems

Note: predicated on the forecast by industry analysts *inside unmanned systems* we calculate that the commercial sector will account for some US\$6bn of the total UAS market, and that professional commercial drones – MOB's target market – will account for 50% or US\$3bn of this sector.

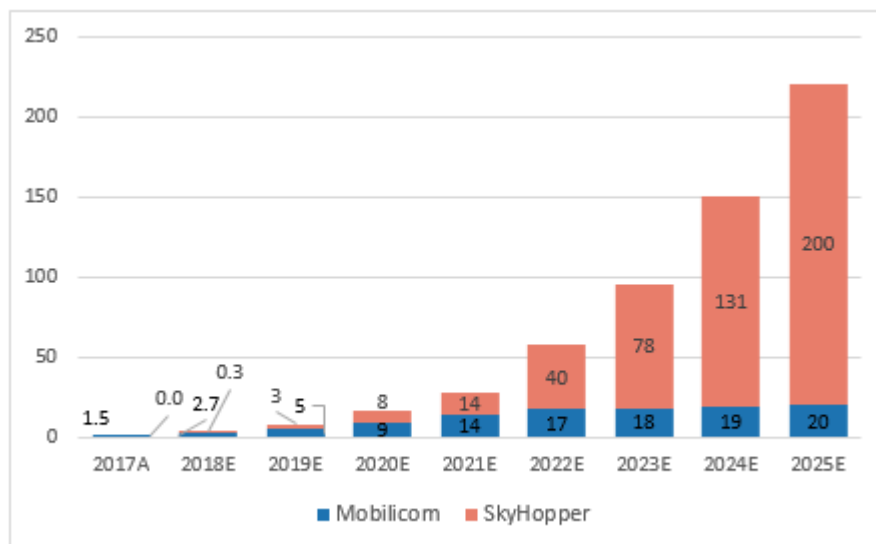
Group revenue and EBITDA

Revenue

Predicated on our forecast Mobilicom and SkyHopper division revenues, we calculate MOB's group revenue increasing from A\$1.5m in FY17A to A\$3m in FY18E (current financial year) and to A\$8.3m in FY19E. By FY25E, we forecast revenue at A\$220m, with the SkyHopper division accounting for 91% of the total.

Figure 11: Forecast group revenue profile to FY25E (A\$m)

	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Mobilicom	1.5	2.7	5.3	9	14	17	18	19	20
SkyHopper	0.0	0.3	2.9	8	14	40	78	131	200
Total	1.5	3.0	8.3	17	28	57	96	151	220
YoY % Change		97%	175%	104%	65%	107%	67%	57%	46%



Source: State One Stockbroking forecasts

Note: FY17A and FY18E revenues exclude government grants (which we have included in NOI).

EBITDA

We forecast group EBITDA of -A\$2.8m in FY18E, falling to -A\$0.1m in FY19E, with maiden positive EBITDA of A\$3m in FY20E. We forecast EBITDA ramping up significantly over our forecast period on the back of strong predicated revenue growth at the SkyHopper division.

Figure 12: Forecast group EBITDA to FY25E (A\$m)

	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue (A\$m)	1.5	3.0	8.3	17	28	57	96	151	220
Cost of sales (A\$m)	(0.4)	(0.8)	(2.1)	(4)	(7)	(14)	(24)	(38)	(55)
Selling , marketing, G&A	(2.2)	(2.5)	(3.5)	(5)	(6)	(14)	(22)	(33)	(44)
R&D (A\$m)	(2.1)	(2.5)	(3.5)	(5)	(6)	(7)	(8)	(9)	(10)
Total costs (A\$m)	(4.6)	(5.8)	(9.1)	(14)	(19)	(35)	(54)	(80)	(109)
EBITDA (A\$m)	(3.1)	(2.8)	(0.8)	3	9	22	42	71	111
EBITDA margin (%)	-205%	-92%	-10%	16%	32%	39%	44%	47%	50%

Source: State One Stockbroking forecasts

Note: Cost of Sales maintained at 25% of revenue over our forecast period, selling marketing, G&A expenses assumed at 20% of FY25E revenues, R&D expenses assumed at 4.5% of FY25E revenues.

Board and Management Source: Company



OREN ELKAYAM
CHAIRMAN, MANAGING
DIRECTOR & CO-FOUNDER

Oren brings vast experience in strategic business, having initiated & negotiated contracts with leading corporations such as Mitsubishi Elec., Alcatel-Lucent, Nortel, ZyXEL, STMicroelectronics, Motorola, etc. Built Runcom from revenue to a takeover offer in excess of US\$100m.



YOSSI SEGAL
EXEC DIRECTOR, VP
R&D, CO-FOUNDER

Yossi led the design & development of three mobile IC's & eight wireless broadband systems. Took a leading role & voting member in international wireless standards: IEEE (USA), ETSI (Europe). Invented & registered essential Patents for OFDM/A technology widely used in variety of wireless solutions worldwide.



CAMPBELL MCCOMB
NON-EXECUTIVE
DIRECTOR

Mr McComb has over 20 years' experience in funds management and investment banking. Mr McComb has gained significant investment experience across equity securities, venture capital and private equity. Mr McComb currently runs the Venture Capital and Funds business of Greenwich Capital Partners.



MARK LICCIARDO
NON-EXECUTIVE
DIRECTOR

Mr Licciardo is the founder and Managing Director of Mertons Corporate Services. A former company secretary of Top 50 ASX listed companies Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, administration and company secretarial.



JON BRETT
NON-EXECUTIVE
DIRECTOR

Jon has served as the managing director of several public companies, including Techway Limited which pioneered internet banking in Australia. He served as a non-executive director for Vocus Group Limited where helped Vocus grow from a small cap ASX company to an ASX 100 company. Jon has been Chairman of the Audit & Risk Committees for a number of different ASX listed companies.

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