

Mobilicom Ltd (ASX:MOB)

March quarter (1Q FY19) report

Events

- Strategic partnership established with **Yuneeq International**, the world's second largest drone manufacturer.
- Commercial Drone Upgrade Solution released, with an additional A\$572k purchase order from the **Israel Ministry of Defence**.
- Chosen by Israel Ministry of Defence and the **Israel Innovation Authority** for a A\$1.8m R&D program.
- Customer receipts in 1Q FY19 of A\$561k (versus A\$751k in the prior quarter and A\$669k in the pcq).
- March quarter cash balance of A\$3.9m (A\$8m after **April capital raise**). In April, MOB announced it had successfully completed a A\$4m placement of new shares to accelerate the group's expansion opportunities with key strategic partners including Airbus, Yuneeq, and the Israel Innovation Authority. Funds will also be used to provide for business development of new drone upgrade solutions, operating costs, R&D, and general marketing and sales. The placement of 40 million ordinary shares in MOB was conducted at A\$0.10 per share, a 32% discount to the five-day VWAP of A\$0.146 and a 6.5% discount to the 15-day VWAP of A\$0.107.

State One comment: A\$4m cash injection supports growth

Operating cash outflows have totalled some A\$4.2m over the past five quarters as MOB builds up its product and technology portfolio and develops its global sales and marketing presence.

MOB: quarterly operating performance and cash balance (1Q FY18- 1Q FY19)

A\$ ('000)	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	Accum.
Receipts from Customers	669	756	654	751	561	3,391
Net operating expenses	(1,261)	(1,628)	(1,286)	(1,835)	(1,542)	(7,552)
Operating cash inflow (outflow)	(592)	(872)	(632)	(1,084)	(981)	(4,161)
Cash balance - end quarter	7,502	6,640	5,992	4,958	3,940	

Source: Company, compiled by State One Stockbroking

Thus, all things being equal, the group's end-March cash balance of ~A\$4m was sufficient to fund the group's activities for at least another 12 months. However, the recently announced strategic partnerships indicate that activities at MOB are likely to accelerate significantly. We believe that the A\$4m cash injection, via the April capital raise, puts MOB in a strong position to take advantage of these new business opportunities. In our view, the strategic partnership with Yuneeq is particularly exciting. Yuneeq – part-owned by Intel - sells more than one million drones per annum. Under the strategic partnership, Yuneeq will release two commercial and government market drone platforms (in mid-2019 and beginning-2020) incorporating the SkyHopper Pro MCU with security and encryption functionality, plus optional add-ons. We believe sales are targeted to ramp to from thousands of units to ten thousand (and then tens of thousands); we estimate that revenues to MOB from the Yuneeq partnership alone could conservatively run to US\$10m per annum by 2020/2021.

PE/DCF-derived target price: A\$0.57ps (A\$0.65ps previously)

We forecast group revenues increasing from A\$2.6m in the last reported financial year (FY18) to A\$24m in FY21E and A\$56m in FY22E. Our revised 75%:25% weighted PE multiple/DCF-derived target price of A\$0.57 per share is down on our previously target price of A\$0.65ps due to share dilution following the April capital raise. **We maintain 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 (MCUs), particularly in the SkyHopper (drone) division which we estimate will account for some 60% of group revenues by FY21E, competition from existing competitors in the mobile mesh space and from new or alternative technology providers, IP risk, key personnel risk, and government regulation (particularly relating to drone applications/use).

7 May 2019

Share Price: A\$0.09

Target Price: A\$0.57

Target Upside: 509%

Recommendation

Speculative Buy

Risk Assessment

Higher

IT – Technology Hardware & Equipment

David Brennan, CFA

Senior Investment Analyst

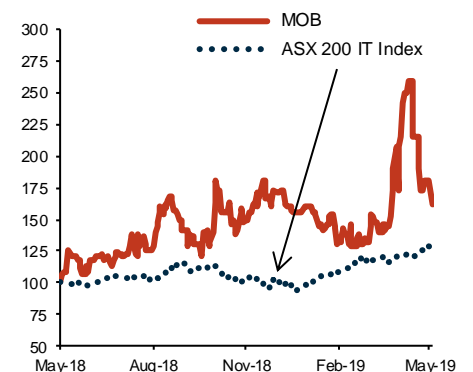
dbrennan@stateone.com.au

+61 02 9024 9142

Mobilicom Limited

ASX Code	MOB
52-week range (A\$ps)	A\$0.06-A\$0.16
Market Cap diluted (ASm)	26
Shares diluted (m)	274
Av Daily Turnover (shares)	174k
ASX All Ordinaries	6,334
FY19E BV per share (A\$c)	1.9
FY19E EPS (A\$c)	-1.1
FY19E Net (Debt)/Cash (A\$m)	6.0

Relative Price Performance



Mobilicom Limited (MOB)

Year ending December

Profit & Loss Statement (A\$m)	FY18A	FY19E	FY20E	FY21E	FY22E
Revenue	2.6	5.5	15.5	24.4	56.0
Cost of sales	(1)	(1.4)	(3.9)	(6.1)	(14.0)
Selling, marketing, G&A	(2.8)	(3.5)	(5.0)	(6.0)	(13.4)
R&D	(2.7)	(3.5)	(5.0)	(6.0)	(7.0)
EBITDA	(3.6)	(2.9)	1.6	6.3	21.6
Depreciation & Amortisation	0.0	0.0	0.0	0.0	0.0
Operating profit	(3.6)	(2.9)	1.6	6.3	21.6
NOI	0.3	(0.3)	0.0	0.0	0.0
EBIT	(3.2)	(3.2)	1.6	6.3	21.6
Interest income	0.1	0.1	0.2	0.2	0.4
Interest expense	0.0	0.0	0.0	0.0	0.0
Tax expense	0.0	0.0	0.0	(2.0)	(6.6)
Reported NPAT	(3.2)	(3.0)	1.8	4.6	15.4
Normalised NPAT	(3.4)	(2.8)	1.8	4.6	15.4
EBITDA margin (%)	na	na	na	26%	39%
Operating profit margin (%)	na	na	na	26%	39%
EPS Reported (A\$c)	(1.4)	(1.19)	0.7	1.7	5.6
EPS Normalised (A\$c)	(1.5)	(1.1)	0.7	1.7	5.6
Dividend payout (%)	na	na	0%	0%	0%
DPS (A\$c)	0.0	0.0	0.0	0.0	0.0
Dil Av no. of shares (m)	234	254	274	274	274
Dil YE no. of shares (m)	234	274	274	274	274

Cash Flow Statement (A\$m)	FY18A	FY19E	FY20E	FY21E	FY22E
EBITDA	(3.6)	(2.9)	1.6	6.3	21.6
Investment in working capital	(0.1)	0.0	0.4	0.3	0.9
Tax expense	0.0	0.0	0.0	(2.0)	(6.6)
Operating Cash Flow	(3.7)	(2.9)	2.0	4.6	15.9
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)	0.1	0.1	0.2	0.2	0.4
Debt draw down n / (repayment)	0.0	0.0	0.0	0.0	0.0
Dividends declared	0.0	0.0	0.0	0.0	0.0
Equity raised / (repaid)	0.1	4.0	0.0	0.0	0.0
Financing Cash Flow	0.2	4.1	0.2	0.2	0.4
Non-operating & Other	0.4	(0.3)	0.0	0.0	0.0
Inc/(Dec) in Cash	(3.1)	1.0	2.2	4.9	16.3

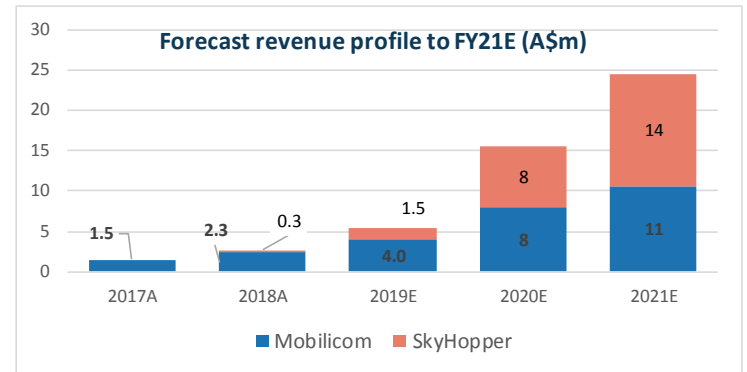
Balance Sheet (A\$m)	FY18A	FY19E	FY20E	FY21E	FY22E
Cash & Deposits	5.0	6.0	8.2	13.0	29.3
Receivables	0.5	0.5	2.2	3.4	7.8
Inventories	0.4	0.4	1.6	2.4	5.6
Other Current Assets	0.0	0.0	0.0	0.0	0.0
PPE and Exploration & Development	0.0	0.0	0.0	0.0	0.0
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0
Total Assets	5.9	6.9	11.9	18.9	42.8
Payables and other current Liabilities	1.0	1.0	4.2	6.6	15.1
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	1.6	1.6	4.8	7.2	15.8
Total Equity	4.3	5.3	7.1	11.7	27.0
Net Cash / (Debt)	5.0	6.0	8.2	13.0	29.3

Major shareholders (quoted shares)

	%	Date
IBI Trust Management	21.2	
HSBC Custody Nominees	3.2	Feb-19
Lancing Liquid Relative Value Fund	3.2	

Source: Company, IRESS, State One Stockbroking forecasts

Revenue composition (A\$m)	FY18A	FY19E	FY20E	FY21E	FY22E
Mobilicom	1.5	2.3	4.0	8.0	10.7
SkyHopper	0.0	0.3	1.5	7.5	13.8
Total	1.5	2.6	5.5	15.5	24.4
YoY % change	-	74%	107%	184%	58%



Leverage	FY18A	FY19E	FY20E	FY21E	FY22E
Net Debt/Equity	115%	113%	115%	111%	108%
Net Debt/Total Assets	84%	86%	68%	69%	69%
Net interest Cover (x)	na	na	na	na	na

Valuation Ratios (x)	FY18A	FY19E	FY20E	FY21E	FY22E
Normalised PER	-ve	-ve	14	5.6	1.7
Price/OP Cash Flow	na	na	12	5.2	1.5
EV (A\$m)	19	18	16	11	-5
EV/EBITDA	-5	-6	10	1.8	-0.2
ROE (%)	-74%	-57%	25%	39%	57%

DCF calculation

Year	Free Cash Flow	Discount Factor	PV of FCF	Value of Equity
2019	-3	91%	-3	Operating Value 413
2020	2	83%	2	Excess Mkt Securities 6.0
2021	5	75%	4	Financial Investments 0
2022	16	68%	11	Excess Pension Assets 0
2023	30	62%	19	Enterprise Value 419
2024	34	56%	19	Debt 0
2025	53	51%	27	Capitalized Operating Leases 0
2026	55	47%	26	Retirement Related Liability 0
2027	57	42%	24	Preferred Stock 0
2028	59	39%	23	Minority Interest 0
2029	62	35%	22	Long-Term Operating Provision 0
2030	64	32%	20	Restructuring Provision 0
2031	67	29%	19	Future Stock Options 0
2032	69	26%	18	Stock options 0
2033	72	24%	17	Equity Value 419
Cont. Value	750	24%	179	
Operating Value			427	No. shares (million) 274
Continuing value % Operating value			42%	Value per Share (A\$) 1.53
Mid-Year Adjustment Factor			97%	
Operating Value (Adjusted)			413	

Weighted Target Price

Valuation method	Target value (A\$)	Weighting (%)	Share price (A\$)		Capital gain (%)
			Target	Current	
DCF	1.53	25%	0.57	0.09	509%
EPS/PER	0.25	75%			

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

Alan Hill
Executive Chairman
Phone: +61 8 9288 3388
ahill@stateone.com.au

Ric Heydon
Equities & Derivatives Advisor
Phone: +61 8 9288 3307
rheydon@stateone.com.au

Mark Sullivan
Institutional Dealer
Phone: +61 2 9024 9134
msullivan@stateone.com.au

Thomas Tan
Equities Advisor
Phone: +61 2 9024 9131
ttan@stateone.com.au

Morris Levitzke
Equities Advisor
Phone: +61 8 9288 3315
mlevitzke@stateone.com.au

Graeme Johnson
Equities & Derivatives Advisor
Phone: +61 8 9288 3316
gjohnson@stateone.com.au

Yitz Barber
Equities Advisor
Phone: +61 2 9024 9107
ybarber@stateone.com.au

Tammie Wong
Equities Advisor
Phone: +61 2 9024 9133
twong@stateone.com.au

Dawn Chia
Business Development Manager
Phone: +61 8 9288 3336
Dawn.Chia@stateone.com.au

David Zhang
Equities Advisor
Phone: +61 2 9024 9130
dzhang@stateone.com.au

David Brennan
Senior Investment Analyst
Phone: +61 2 9024 9142
dbrennan@stateone.com.au

Wayne Osterberg
Equities Advisor
Phone: +61 8 9288 3318
Wayne.Osterberg@stateone.com.au

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