

# Kleos Space S.A.

Australia / Germany

Update

 Bloomberg: KSS AU  
 ISIN: AU0000015588

<b>RATING</b>	<b>BUY</b>
<b>PRICE TARGET</b>	<b>AUD 0.46</b>
Return Potential	80.4%
Risk Rating	High

## ROCKET LAUNCH WILL TAKE PLACE IN Q4/19 WITH NEW PROVIDER

The rocket launch of Kleos' scouting satellites has been postponed from August to later in Q4'19. The congested schedule of the original launching partner, Rocket Labs, led to the launch postponement and increased uncertainty around the timing. Kleos teamed up with the launch and mission management provider Spaceflight to find a quick alternative. They successfully booked the Polar Satellite Launch Vehicle (PSLV) under a rideshare contract. PLSV is designed and operated by the Indian Space Research Organisation (ISRO) and will launch in Q4/19. Moreover, this rocket will position Kleos' satellites into the more attractive 37-degree inclination orbit. This orbit allows for 2.0-4.5 times higher revisit rates and data collection around the equatorial zone, which, due to threats, is a very important monitoring area for the maritime industry. In the meantime, management continues to actively acquire further pre-sale orders from early adopters such as the €1.8m pre-order signed in June. Recently, Luxembourg also approved €1m in additional grants for R&D. So far, the company has made good progress preparing for the launch. The four scouting satellites are mission-ready. Kleos has also appointed the leading Norwegian company KSAT (Kongsberg Satellite Services) as the ground station service provider. Following the launch delay and sales postponement, as well as the additional grants, we have fine-tuned our forecasts. Our DCF model gives a new price target of AUD 0.46 or €0.28 (old: AUD 0.43 or €0.27). We reiterate our Buy rating.

Following the launch delay by Rocket Lab, Kleos cancelled the contract and appointed ISRO as new provider to launch its satellites in Q4/19. Although disappointing, launch delays are not uncommon in the industry. However, Kleos used the opportunity to look for further options with the rideshare launch and mission management provider Spaceflight. The company chose ISRO. This Indian organisation has an extensive experience in successfully launching rockets to orbit (e.g. large PSLVs and geosynchronous SLVs), being the first Asian space agency to reach Mars orbit.

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### FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019E	2020E	2021E	2022E
Revenue (€m)	0.00	0.00	0.00	7.45	12.50	21.60
Y-o-y growth	n.a.	n.a.	n.a.	n.a.	67.8%	72.8%
EBIT (€m)	-0.18	-2.19	-2.89	-0.03	1.60	5.65
EBIT margin	n.a.	n.a.	n.a.	n.a.	12.1%	26.1%
Net income (€m)	-0.18	-2.20	-3.05	-0.13	1.19	4.19
EPS (diluted) (€)	-0.01	-0.03	-0.03	0.00	0.01	0.02
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	0.26	-4.11	-5.58	-5.89	-2.38	1.43
Net gearing	267.0%	-74.0%	48.7%	-22.2%	-3.0%	-10.3%
Liquid assets (€m)	0.46	4.26	0.60	2.79	0.41	1.85

### RISKS

Risks include, but are not limited to technological risk, execution risk, financing risk, shareholder dilution, and competition risks

### COMPANY PROFILE

Kleos is a "new space" technology specialist aiming to launch and operate nanosatellites in space with the goal to scan the earth for radio frequency (RF) signals for geolocation purposes. The company is a pioneer in applying RF technology from space. The main focus will be generating data for the maritime industry. The company is based in Luxembourg and intends to sell the RF data as a service worldwide to government agencies, intelligence and maritime companies.

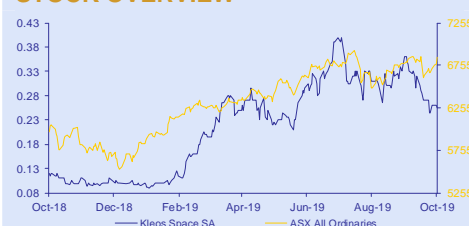
### MARKET DATA

As of 16 Oct 2019

Closing Price	AUD 0.26
Shares outstanding	106.60m
Market Capitalisation	AUD 27.18m
52-week Range	AUD 0.09 / 0.40
Avg. Volume (12 Months)	595,152

Multiples	2018	2019E	2020E
P/E	n.a.	n.a.	n.a.
EV/Sales	n.a.	n.a.	2.2
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2019

Liquid Assets	€ 1.73m
Current Assets	€ 2.84m
Intangible Assets	€ 0.00m
Total Assets	€ 5.12m
Current Liabilities	€ 0.77m
Shareholders' Equity	€ 4.34m

### SHAREHOLDERS

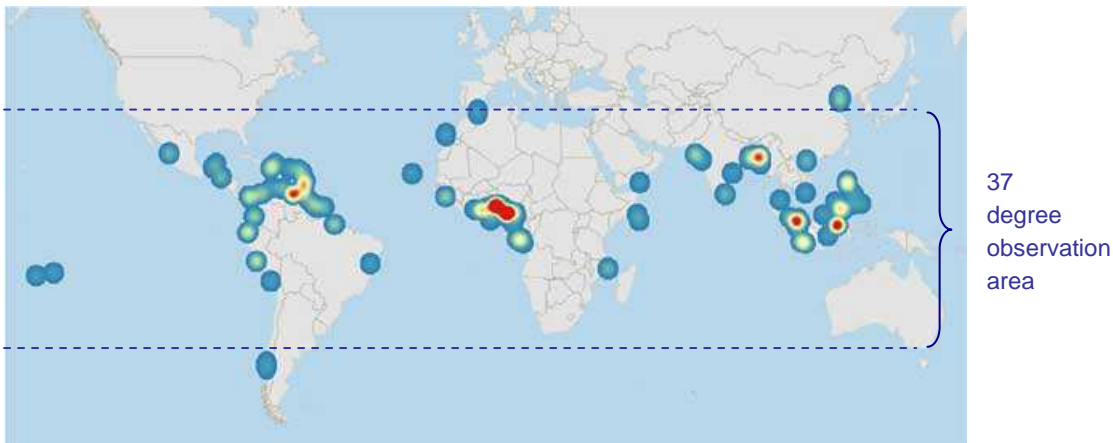
Magna Parva Ltd.	23.5%
LTL Capital Pty Ltd.	13.9%
Tyler Corporation Pty Ltd.	3.3%
Bradley Saxby	3.3%
Free Float	56.0%

Importantly, the agency has a longer and more solid track record than the previous provider Rocket Lab. ISRO has accomplished highly complex missions such as deploying a large number of large satellites and nanosatellites in a three-stage orbit release. We believe this provider is more committed and eager to expand its excellent reputation in the industry. The launch of Kleos' nanosatellites is scheduled for Q4/2019.

**The choice of ISRO will enable Kleos to achieve a superior outcome regarding data quality to meet market demand** ISRO will launch to a different orbit as a target route compared to the previous one (Rocket Lab). The rocket PSLV will position the satellites in a 37-degree inclination orbit. As a result, the satellites will travel between 37° North latitude and 37° South latitude. This area will roughly cover a corridor between Lisbon in the North and Melbourne in the South and includes relevant shipping areas such as the Strait of Hormuz, South China Sea, the Australian Coast, the Southern US Coast and the East and West African Coast. The new route will enable 2.0-4.5 times higher revisit times around the equatorial regions and the aforementioned shipping areas. In the less relevant far North and South observation will lessen.

According to the State of Maritime Piracy report from 2018, the threat level in the equatorial regions has increased. Therefore, it has become the primary goal of multiple industries and governmental institutions to secure this area which includes the main hotspots of illegal activity and piracy. (see figure 1, red: highest threat level).

**Figure 1: Maritime illegal activity and piracy hotspots vs 37-degree corridor**



Source: First Berlin Equity Research, Kleos & "The State of Maritime Piracy 2018, One Earth Future"

The new satellite route is more in line with market demand as it will provide more information on the main zones of threat for the maritime industry. Based on the higher revisit time, the information quality to be provided on the equatorial area increases and Kleos can potentially generate higher revenues with data for customers interested in this zone. We therefore believe that overall, the potential revenue loss in 2019 from the launch delay will likely be more than compensated by the additional revenues that can be generated later with better quality data.

**Leading European player KSAT appointed as ground station service provider** Kleos has recently chosen to use ground station services from a leading European provider in the field, KSAT, headquartered in Norway. KSAT is one of the world's leading providers of data reception and near real-time earth observation services. The company possesses a vast network of ground stations including 20 sites and 140 remotely controlled antennas worldwide. The RF-data captured with the scouting satellites will send the data via radio waves to a strategically located ground station network. Kleos will access the data from the ground station and deliver it to its customers through its web platform Guardian ABI.

**Ian Hackston appointed as CFO, Perre Duquesne as South America representative**

Kleos expanded its management team by hiring Ian Hackston as CFO. He is an internationally experienced financial professional with strong expertise in the aerospace industry. He has previously held senior financial roles in companies such as O3b (satellite), LeoSat Enterprises, and SES Satellite Leasing. He will, in our view, improve the company's standing with investors and capital markets. In addition, Kleos appointed Pierre Duquesne as sales representative for South America/Caribbean. Due to his over 20 years' experience in the aerospace industry, working for large players such as Airbus Intelligence in South America, he has the potential to support revenue generation in the region strongly.

**SUBSTANTIAL PROGRESS ACHIEVED IN COMMERCIAL DEVELOPMENT**

**Pipeline with pre-orders expanded** Since the publication of our initiating coverage report in May, Kleos has made good progress in strengthening its pre-launch commercialisation pipeline. In June, the company closed pre-orders worth about €1.8m over the next three years with two early adopter defence customers.

**Three relevant achievements to tap into the US defence market accomplished** During the period July-September Kleos achieved three significant milestones to support its business development measures to enter the highly attractive US market. These milestones were:

- 1) In July, Kleos entered into a commercial distribution agreement with the US defence giant (USD42bn market cap) L3Harris to sell Kleos' data to US government agencies. L3Harris is the 6<sup>th</sup> largest US defence company and among the top 10 worldwide. Based on the high calibre of the partner, we view this deal as very promising in terms of driving Kleos' sales in the US market. Importantly, L3Harris will incorporate Kleos' products in its GSA Earth Observation Solutions (EOS) Schedule and promote them to the National Geospatial-Intelligence Agency. The GSA Schedule Contracts are widely used by government agencies to purchase goods and services from businesses and account for an annual sales volume of USD 45bn. The GSA Schedule Contracts include pre-negotiated prices and purchasing conditions but do not specify the potential purchasing amounts.
- 2) In August, Kleos was granted a phase 1 award to prepare a feasibility study with the US Airforce within the scope of the Small Business Innovation Research (SBIR) programme. The SBIR programme is highly competitive and chooses innovative small businesses which qualify to contribute to the US Federal Research agencies. During phase I, Kleos is committed to delivering a feasibility study by 23 October. If successful, Kleos will qualify for phase 2 of the programme, which will entail a project over up to 27 months financed with SBIR funding of up to USD1.5m (matched 4 to 1 by a government customer).
- 3) In September, Kleos joined the US Airforce Catalyst Space Accelerator programme (CSA). The programme connects participants with military agencies (e.g. Army, Air Force bases, Military units, US Space Command, etc.). The CSA has provided USD10m in follow-on funding and over 100 military contracts to participants in the past (3 cohorts so far).

In order to maximize potential from the US business, the company established a US subsidiary on 15 October 2019. Many US defence entities are increasingly keen to work with or provide funding only to US companies.

**Two further collaborations will add critical mass in the European region** In early August, the company closed two additional collaboration agreements. The first one was with EarthLab Luxembourg S.A., a provider of data intelligence for environmental applications in



the insurance sector. The second deal was with Spire Global, one of the largest space to cloud analytics companies worldwide. This collaboration intends to combine Kleos RF-data with Spire's AIS-data, to provide better products for the maritime industry.

**First contract closed in the South American market** In September, Kleos closed a first pre-order with the Brazilian integrator Shield Sistemas de Defesa Ltd amounting to AUD486k (€301k) p.a., which may increase to AUD728k (€451k) following the incorporation of the second satellite cluster planned for next year. In light of the short period, Mr Duquesne has been working as a sales representative for Latin America, we view this contract as highly encouraging.

## FINANCIAL RESULTS AND FINANCING MEASURES

**H1/19 EBIT and net income as projected** Kleos published H1/19 results which were in line with our expectations. The company generated no sales and achieved EBIT of €-1.8m (FB: €-1.8m; H1/18: €-1.7m). Net income came in at €-1.8m as well (FB: €-1.8m; H1/18: €-1.2m).

Figure 2: Reported H1/19 figures vs. FB estimates

All figures in EUR '000	H1/19	H1/19E	Delta	H1/18	Delta
Revenues	0	0	n.a.	0	n.a.
Government grants	0	0	n.a.	436	n.a.
OpEx	-1,792	-1,835	n.a.	-1,656	n.a.
<b>Operating income (EBIT)</b>	<b>-1,792</b>	<b>-1,835</b>	<b>n.a.</b>	<b>-1,220</b>	<b>n.a.</b>
Net financial result	-18	-4	n.a.	0	n.a.
Tax income (expense)	0	0	n.a.	0	n.a.
<b>Net income / loss</b>	<b>-1,809</b>	<b>-1,839</b>	<b>n.a.</b>	<b>-1,220</b>	<b>n.a.</b>

Source: First Berlin Equity Research, Kleos Space S.A.

### Revising forecasts following launch delay and appointment of new launching partner

In light of the launch delay, we believe the company will not be able to book sales in 2019. However, given that vigorous pre-launch activities are leading to a growing client pipeline, we have assumed that the €1.1m sales we forecast in 2019 are not lost but will be postponed and booked as sales in 2020. Furthermore, we have increased our forecasts for grants in 2020 and 2021 due to the €1m additional grants approved by the Luxembourg government in June 2019. We also believe the RF-data from the new 37-degree orbit will be more attractive, potentially leading to higher sales in 2020. However, we leave this as upside. We have summarised the main changes in figure 3 below.

Figure 3: Changes to our forecasts (KPIs)

Estimates	2019E			2020E			2021E		
	Old	New	% change	Old	New	% change	Old	New	% change
All figures in EUR '000									
Revenues	1,050	0	-100.0%	6,400	7,450	16.4%	12,500	12,500	0.0%
Government grants	1,000	1,000	0.0%	800	1,000	25.0%	100	750	650.0%
Total revenue and grants	2,050	1,000	-51.2%	7,200	8,450	17.4%	12,600	13,250	5.2%
EBITDA	-1,502	-2,799	-	762	1,602	110.3%	3,961	4,498	13.6%
margin	n.a.	n.a.	-	11.9%	21.5%	-	31.7%	36.0%	-
EBIT	-1,923	-2,890	-	-869	-29	-	1,061	1,598	50.6%
Net income / loss	-1,923	-3,054	-	-862	-133	-	788	1,185	50.4%
EPS (in EUR, dil.)	-0.02	-0.03	-	0.00	0.00	-	0.00	0.01	-

Source: First Berlin Equity Research estimates

**Convertible placement extends cash reach into Q1/20** The company reported a cash position of €1.7m at the end of H1/19 (down from €43m at the end of FY/18). Management plans to spend about €1.5m in Q3/19, which is why the reported cash position roughly



enables the company to run operations into Q4/19. However, Kleos placed a convertible bond in September raising up to AUD3m (€1.9m), with the first tranche of AUD2m (€1.3m) raised in September and the second tranche of AUD1m (€0.6m) remaining as an option for the investors exercisable until 31 December 2019 at the same conditions of the first tranche. The first tranche had a face value of AUD2.2m (€1.4m) with a redemption period of six months. The convertible debt instrument (CDI) has a 10% interest rate per six month period. The investor can choose either to redeem or convert into CDIs at an issue price of AUD0.50 (€0.31). The maximum number of CDIs to be issued including the interest payment will be 4.8m (and 2.4m for the second tranche). Investors were also granted up to 1.5m options on CDIs with an exercise price of AUD0.40 (€0.25) per CDI and an exercise period of 3 years. The lead manager of the placement, Evolution Equities has also been granted 1.9m options for CDIs (first tranche) and 950k options on CDIs (second tranche) with similar conditions for investors' options. While dilutive, this placement gives Kleos time to deliver investors more certainty on the business model. We therefore expect that Kleos will conduct a larger capital increase in early Q1/20 after the satellite launch has taken place.

**Luxembourg approved additional grants of €1.0m, underscoring the potential of Kleos' technology** The company will have access to additional €1.0m from the Luxembourg government through a further grant secured in June. This grant for the development of the technology and geolocation systems adds to the previously warranted €2.0m grants. These non-refundable grants in our view reflect the confidence of the government in Kleos' technology.

**Price target increased slightly to AUD 0.46 (€0.28) from previously AUD 0.43 (€0.27), Buy rating unchanged** We believe Kleos has achieved substantial business progress since we initiated coverage of the company. We continue to have a positive view of Kleos' business prospects. Based on our new estimates, our DCF model yields a slightly higher price target of AUD 0.46 (€0.28). We reiterate our Buy recommendation.



## VALUATION MODEL

All figures in EUR '000	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
<b>Net sales</b>	<b>0</b>	<b>7,450</b>	<b>12,500</b>	<b>21,600</b>	<b>33,600</b>	<b>43,400</b>	<b>49,500</b>	<b>55,500</b>
<b>NOPLAT</b>	<b>-2,900</b>	<b>-29</b>	<b>1,181</b>	<b>4,183</b>	<b>9,268</b>	<b>12,932</b>	<b>14,096</b>	<b>15,676</b>
+ depreciation & amortisation	102	1,631	2,900	4,350	5,377	5,619	5,800	5,800
Net operating cash flow	-2,799	1,602	4,081	8,533	14,645	18,550	19,896	21,476
- total investments (CAPEX and WC)	-3,594	-6,895	-6,556	-7,172	-7,605	-7,263	-6,296	-6,635
Capital expenditures	-2,900	-5,800	-5,800	-5,800	-5,800	-5,800	-5,800	-5,800
Working capital	-694	-1,095	-756	-1,372	-1,805	-1,463	-496	-835
Free cash flows (FCF)	-6,393	-5,293	-2,475	1,361	7,040	11,288	13,601	14,841
<b>PV of FCF's</b>	<b>-6,199</b>	<b>-4,424</b>	<b>-1,783</b>	<b>845</b>	<b>3,770</b>	<b>5,211</b>	<b>5,412</b>	<b>5,091</b>

All figures in EUR '000	
PV of FCFs in explicit period	23,794
PV of FCFs in terminal period	22,777
Enterprise value (EV)	46,571
+ Net cash / - net debt	12,349
+ Investments / minority interests	0
Shareholder value	58,920
Diluted number of shares	207,432
<b>Fair value per share in EUR</b>	<b>0.28</b>

**Fair value per share in AUD** 0.46 FX rate: 1 AUD = 0.62 EURO

		WACC	Terminal growth rate						
			0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
Cost of equity	16.0%	13.0%	0.37	0.38	0.39	0.40	0.41	0.42	0.43
Pre-tax cost of debt	10.0%	14.0%	0.33	0.34	0.34	0.35	0.36	0.37	0.38
Tax rate	26.0%	15.0%	0.30	0.30	0.31	0.32	0.32	0.33	0.33
After-tax cost of debt	7.4%	16.0%	0.27	0.28	0.28	<b>0.28</b>	0.29	0.29	0.30
Share of equity capital	100.0%	17.0%	0.25	0.25	0.25	0.26	0.26	0.27	0.27
Share of debt capital	0.0%	18.0%	0.23	0.23	0.23	0.23	0.24	0.24	0.24
<b>WACC</b>	<b>16.0%</b>	19.0%	0.21	0.21	0.21	0.21	0.22	0.22	0.22

\*Please note our model runs through 2030 and we have only shown the abbreviated version for formatting purposes



## INCOME STATEMENT

All figures in EUR '000	2017	2018	2019E	2020E	2021E	2022E
<b>Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,450</b>	<b>12,500</b>	<b>21,600</b>
Government grants	249	828	1,000	1,000	750	100
<b>Total revenue and grants</b>	<b>249</b>	<b>828</b>	<b>1,000</b>	<b>8,450</b>	<b>13,250</b>	<b>21,700</b>
Cost of goods sold	0	0	-150	-300	-348	-401
<b>Gross profit</b>	<b>249</b>	<b>828</b>	<b>850</b>	<b>8,150</b>	<b>12,902</b>	<b>21,299</b>
Operating expenses	-79	-1,210	-1,078	-1,140	-1,200	-1,354
Staff expenses	-203	-1,680	-2,420	-5,120	-6,860	-9,470
Research & development	-149	-114	-121	-138	-141	-148
Other operating expenses	-2	-11	-30	-150	-203	-323
<b>EBITDA</b>	<b>-183</b>	<b>-2,187</b>	<b>-2,799</b>	<b>1,602</b>	<b>4,498</b>	<b>10,004</b>
Depreciation expenses	0	-6	-91	-1,631	-2,900	-4,350
<b>Operating income (EBIT)</b>	<b>-183</b>	<b>-2,193</b>	<b>-2,890</b>	<b>-29</b>	<b>1,598</b>	<b>5,654</b>
Net financial result	0	-9	-164	-104	4	2
<b>Pre-tax income (EBT)</b>	<b>-183</b>	<b>-2,202</b>	<b>-3,054</b>	<b>-133</b>	<b>1,602</b>	<b>5,656</b>
Tax result	0	0	0	0	-416	-1,470
<b>Net income / loss</b>	<b>-183</b>	<b>-2,202</b>	<b>-3,054</b>	<b>-133</b>	<b>1,185</b>	<b>4,185</b>
Other comprehensive income (currency related)	0	1	0	0	0	0
<b>Total comprehensive income</b>	<b>-183</b>	<b>-2,201</b>	<b>-3,054</b>	<b>-133</b>	<b>1,185</b>	<b>4,185</b>
<b>Diluted EPS (in €)</b>	<b>-0.01</b>	<b>-0.03</b>	<b>-0.03</b>	<b>0.00</b>	<b>0.01</b>	<b>0.02</b>

### Ratios as % of total revenue and grants

Gross margin	n.a.	100.0%	85.0%	96.4%	97.4%	98.2%
EBITDA margin	n.a.	n.a.	n.a.	19.0%	33.9%	46.1%
EBIT margin	n.a.	n.a.	n.a.	n.a.	12.1%	26.1%
Net margin	n.a.	n.a.	n.a.	n.a.	8.9%	19.3%
Tax rate	0.0%	3.0%	26.0%	26.0%	26.0%	26.0%

### Expenses as % of total revenue and grants

Operating expenses	n.a.	n.a.	107.8%	13.5%	9.1%	6.2%
Staff expenses	n.a.	n.a.	242.0%	60.6%	51.8%	43.6%
Research & development	n.a.	n.a.	12.1%	1.6%	1.1%	0.7%
Depreciation expenses	n.a.	n.a.	9.1%	19.3%	21.9%	20.0%

### Y-Y Growth

Revenues	n.a.	n.a.	n.a.	n.a.	67.8%	72.8%
Government grants	n.a.	232.2%	20.8%	0.0%	-25.0%	-86.7%
Operating expenses	n.a.	1438.8%	-10.9%	5.8%	5.3%	12.9%
Staff expenses	n.a.	728.2%	44.0%	111.6%	34.0%	38.0%
EBITDA	n.a.	n.a.	n.a.	n.a.	180.7%	122.4%
Operating income (EBIT)	n.a.	n.a.	n.a.	n.a.	n.a.	253.8%
Net income/ loss	n.a.	n.a.	n.a.	n.a.	n.a.	253.1%





## BALANCE SHEET

All figures in EUR '000	2017	2018	2019E	2020E	2021E	2022E
<b>Assets</b>						
<b>Current assets, total</b>	<b>481</b>	<b>5,327</b>	<b>1,743</b>	<b>4,967</b>	<b>3,336</b>	<b>6,171</b>
Cash and cash equivalents	457	4,264	604	2,791	414	1,845
Receivables	0	0	0	1,123	1,884	3,255
Accrued income (gov. grants)	0	392	400	240	144	86
Other current assets	25	672	739	813	895	984
<b>Non-current assets, total</b>	<b>0</b>	<b>1,918</b>	<b>4,427</b>	<b>8,596</b>	<b>11,496</b>	<b>12,946</b>
Property, plant & equipment	0	1,918	4,427	8,596	11,496	12,946
<b>Total assets</b>	<b>481</b>	<b>7,245</b>	<b>6,170</b>	<b>13,562</b>	<b>14,832</b>	<b>19,116</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>652</b>	<b>1,484</b>	<b>3,462</b>	<b>987</b>	<b>1,071</b>	<b>1,171</b>
Short-term debt	0	0	1,922	0	0	0
Accounts payable	21	729	710	74	67	66
Accruals	7	754	830	913	1,004	1,104
Other current liabilities	625	1	1	1	1	1
<b>Long-term liabilities, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term debt	0	0	0	0	0	0
<b>Shareholders' equity</b>	<b>-171</b>	<b>5,762</b>	<b>2,708</b>	<b>12,575</b>	<b>13,760</b>	<b>17,945</b>
<b>Total consolidated equity and debt</b>	<b>481</b>	<b>7,245</b>	<b>6,170</b>	<b>13,562</b>	<b>14,832</b>	<b>19,116</b>
<b>Ratios</b>						
Current ratio (x)	0.7	3.6	0.5	5.0	3.1	5.3
Quick ratio (x)	0.7	3.6	0.5	5.0	3.1	5.3
Net debt/(net cash)	-457	-4,264	1,318	-2,791	-414	-1,845
Net gearing	267.0%	-74.0%	48.7%	-22.2%	-3.0%	-10.3%
Book value per share (in €)	-0.01	0.09	0.02	0.07	0.06	0.08
Return on equity (ROE)	107.3%	-38.2%	-112.8%	-1.1%	8.6%	23.3%
Equity ratio	n.a.	79.5%	43.9%	92.7%	92.8%	93.9%





## CASH FLOW STATEMENT

All figures in EUR '000	2017	2018	2019E	2020E	2021E	2022E
<b>Net income</b>	-183	-2,202	-3,054	-133	1,185	4,185
Depreciation and amortisation	0	6	91	1,631	2,900	4,350
Tax expense	0	0	0	0	0	0
Changes in working capital	-147	-208	-19	-1,589	-662	-1,304
Other adjustments	586	-451	0	0	0	0
<b>Operating cash flow</b>	<b>256</b>	<b>-2,854</b>	<b>-2,982</b>	<b>-91</b>	<b>3,423</b>	<b>7,232</b>
<b>Net operating cash flow</b>	<b>256</b>	<b>-2,854</b>	<b>-2,982</b>	<b>-91</b>	<b>3,423</b>	<b>7,232</b>
CapEx	0	-1,257	-2,600	-5,800	-5,800	-5,800
<b>Free cash flow</b>	<b>256</b>	<b>-4,111</b>	<b>-5,582</b>	<b>-5,891</b>	<b>-2,377</b>	<b>1,432</b>
Other investments and disposals	0	0	0	0	0	0
<b>Cash flow from investing</b>	<b>0</b>	<b>-1,257</b>	<b>-2,600</b>	<b>-5,800</b>	<b>-5,800</b>	<b>-5,800</b>
Debt financing, net	0	0	1,922	-1,922	0	0
Equity financing, net	201	7,918	0	10,000	0	0
<b>Cash flow from financing</b>	<b>201</b>	<b>7,918</b>	<b>1,922</b>	<b>8,078</b>	<b>0</b>	<b>0</b>
<b>Net cash flow</b>	<b>457</b>	<b>3,807</b>	<b>-3,660</b>	<b>2,187</b>	<b>-2,377</b>	<b>1,432</b>
Cash, start of the year	0	457	4,264	604	2,791	414
<b>Cash, end of the year</b>	<b>457</b>	<b>4,264</b>	<b>604</b>	<b>2,791</b>	<b>414</b>	<b>1,845</b>
<b>EBITDA/share (in €)</b>	<b>-0.01</b>	<b>-0.03</b>	<b>-0.03</b>	<b>0.01</b>	<b>0.02</b>	<b>0.05</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.a.	n.a.	n.a.	n.a.	n.a.	111.3%
Free cash flow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA/share	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	2 May 2019	AUD0.26	BUY	AUD0.43
	↓	↓	↓	↓
2	Today	AUD0.26	BUY	AUD0.46

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Category		1	2
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Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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