

21 October 2014

**RECOMMENDATION**

**Speculative Buy**

**Valuation \$0.83**

12 month volume	na
12 month share low	\$0.21
12 month share high	\$0.30

Market Risk	high
Liquidity Risk	high
Infrastructure Risk	med
Country Risk	low

*IRESS & DJC Research*

**ISSUED CAPITAL**

ASX	RXH
Share price	\$0.23.5
Mkt cap	\$27.2m
Ordinary shares on issue <sup>1</sup>	116m
Options (various)	39.3m

*Source: IRESS*

**DIRECTORS**

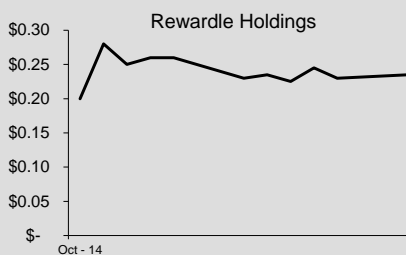
Jack Matthews	Non-Exec Chairman
Ruwan Weerasooriya	Manage. Director
Brandon Munro	Non-Exec Director

**MAJOR SHAREHOLDERS**

Ruwan Weerasooriya	75.4%
National Nominees	2.77%
Willowvale Holdings	2.45%
JP Morgan Nominees	1.20%
GoldbondSuper Pty Ltd	0.91%

*As at 20 October 2014*

**PERFORMANCE SINCE IPO**



— Rewardle Holdings

*Source: IRESS*

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# Rewardle Holdings (RXH)

## Loyalty and Mobile Commerce come to the High Street

Rewardle (RXH) is a digital customer engagement platform for retailers. Rewardle connects customers with small high street merchants via an electronic membership, points and rewards program. The RXH platform offers merchants a sophisticated multi-channel platform that has up until now only been available to large retailers with big budgets.

**We initiate coverage with a Speculative Buy Recommendation with a Valuation of \$0.83**

### Key Points

- Loyalty scheme for small business:** RXH enables small retailers to implement a sophisticated loyalty scheme that rivals the programs run by large retailers. Small retailers that offer localised services to a community generally rely on personalised service and convenience to attract customers to their business. They therefore have limited options in terms of marketing electronically to their customers in an efficient cost effective manner that offers tangible benefits for their business. RXH offers them a sophisticated platform that will enable them to reach their customers in a cost effective more meaningful way.
- Funded for Growth:** The recent IPO has given RXH the resources it needs to continue to aggressively expand its merchant network. As of the 30<sup>th</sup> September, RXH has now over 2,000 merchants on its platform compared to circa 1,500 at the date of the prospectus. Growth is also accelerating and the funds raised will give RXH the ability to keep rolling out across Australia and cement its first mover advantage.
- Large Addressable Market:** There are 200,000 small medium enterprises (SMEs) that potentially could offer reward programs with upwards of 60,000 to 80,000 already offering a basic rewards program of some sort. A key part of the RXH system is a mobile app on a smartphone. There are currently 11 million smartphone users in Australia which is expected to grow to 19 million by 2018. The rise in smartphone use also means that marketers are going to be spending more money and effort reaching customers on their mobile devices. Mobile advertising is therefore one of the fastest growing segments in Australian online advertising spend.
- Clear Monetization Model:** RXH has a clear commercialisation model in that it charges merchants for the service on a monthly basis. RXH also plans to upsell its merchants on additional marketing and analytical services. This will give the merchant access to direct marketing opportunities and a comprehensive data analytics toolset so they can better understand their customer base. RXH is also looking to partner with brands who want to access the RXH member base. This could be done for example by selling loyalty points to other firms looking to give its customers rewards at local retailers or partner in a promotional exercise. RXH allows members to store value with a merchant as a form of prepaid credit and RXH are planning to enhance revenue generation in the future by enabling payments via the RXH system.
- Natural Network Effects:** The RXH system connects small retailers in a certain geographic area and as the merchant and member network grows there are inherent network effects that will accelerate the business's growth and form a natural barrier to entry for other membership, points and rewards programs.
- Backed by an Experienced Team:** The RXH management team is led by Ruwan Weerasooriya who has already developed and sold several media and internet businesses.

## Valuation and Recommendation

### DCF Valuation

We have valued RXH using a DCF model at \$0.83/share on a fully diluted basis. We assume a further capital raising of \$8m at \$0.30 a share. We expect this to happen in 2H FY14 and the reason is primarily to strengthen the balance sheet and carry RXH through to profitability. We have included these new shares in our per share valuation.

Equity Valuation		Value
Value of the Firm	\$/Share	0.83
Current Share Price	\$/Share	0.24
Return	%	254%

Figure 1: DCF Valuation

Source: DJC Estimates

A key input into our DCF model is the growth metrics outlined in the management option plan. Based on current growth trajectory we believe management can achieve these targets. We have not included any other forms of revenue such as brand partnerships or payments at this point in time. When RXH concludes a brand partnership deal, we will then be able to include this source of revenue in our valuation. While good progress has been made in the adoption of RXH as pre-payment solution, we feel it is still early days in terms of the platform maturing into a full blown payment solution and therefore have ascribed no value to this part of the business at this point in time.

		2014a	2015e	2016e	2017e
P/E	x	0.00x	-1.27x	-7.01x	3.92x
EV/EBIT	x	0.00x	-5.73x	-12.93x	4.45x
EV/EBITDA	x	0.00x	-7.37x	-29.91x	3.66x
ROE	%	na	(41.4%)	(38.5%)	43.1%
ROA	%	na	(40.8%)	(35.8%)	46.8%

Figure 2: Key Metrics

Source: DJC Estimates

We expect RXH to make a small operating profit from Q4 FY16 and move into profitable territory from FY17. Management's stated strategy is to first grow the network and then move merchants from non-paying to a monthly subscription. RXH also offers add-on services such as marketing email blasts to improve customer engagement. We assume that a percentage of merchants will make use of these add-on services that RXH offers and this will increase monthly revenue over and above the base subscription fee which is currently set at \$49/pm. We have used a discount rate of 12% to reflect the early stage of the businesses.

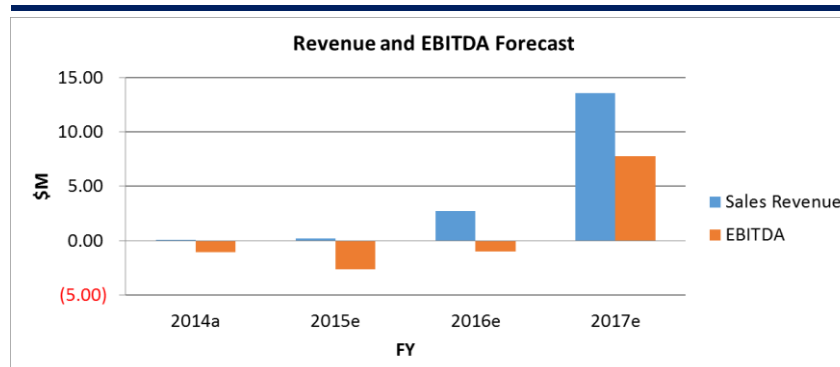


Figure 3: Revenue and EBITDA forecasts

Source: DJC Estimates

## INDUSTRIALS

## Value per Merchant

Other businesses that offer merchant based services can be valued by determining the value ascribed per merchant. Compared to other merchant based companies RXH is undervalued on a per merchant value. RXH is in the early stage of its growth but it does show the potential of the value of the firm to rerate in line with other businesses that service a merchant network as its merchant numbers increase.

Company	Market Cap	Merchant Accounts	Value Per Merchant
Yelp	\$4.16B	~67,000	\$62,089
Grub Hub	~\$2.43B	~28,000	\$84,375
Open Table	\$1.57B	~31,000	\$50,645
Rewardle	\$29m	2,164	\$12,597

Figure 4: Merchant Services Value per Merchant

Source: RXH

## Recommendation

**We place a Speculative Buy recommendation on RXH.** We believe that RXH is the market leader in Australia in terms of a membership, points and rewards program aimed at small merchants. They have in a relatively short space of time grown an impressive footprint in terms of merchants across Australia. RXH currently has 2,164 merchants on the platform and growth is continuing to accelerate. There is also the potential for RXH to partner with some large established chains who do not have a rewards program and thereby further accelerate growth.

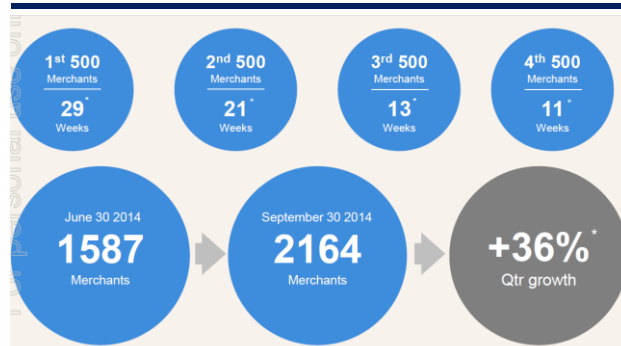


Figure 5: Merchant Growth Metrics

Source: RXH

While the business is focused on growth and not on driving revenue at this point we can expect them to within 12 to 18 months, begin to chase revenue once RXH has built a large enough footprint. While it is important that merchant growth continues at the current pace it is also important to measure adoption. Member network growth is accelerating at 46% growth over the last quarter. This is faster than merchant growth which shows increasing adoption by the merchant's customers.



Figure 6: Member Network Growth Metrics

Source: RXH

Check-ins are growing at an even faster rate than both merchant growth and member growth as more members begin to use the system.

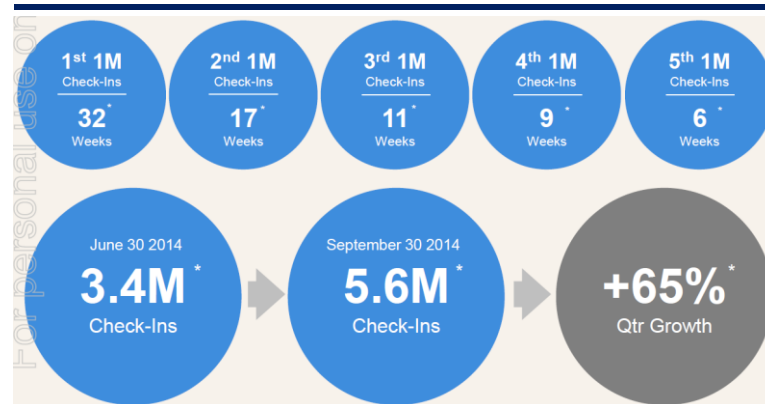


Figure 7: Check-in Growth Metrics

Source: RXH

The use of the RXH platform to store prepaid credit is also growing at a rapid rate. Since June the amount of money that has been added as prepaid credit has almost doubled. This is the genesis of RXH being used as a payments solution. The process of recording prepaid credit is building trust amongst RXH's merchants and members.

RXH will also has the ability to earn revenue by partnering with other brands wanting to access its member base. Generally this is the way that large company loyalty program such as Qantas and Virgin make a large proportion of their money. Virgin recently sold 35% of its loyalty program for \$336m which implies a valuation of \$960m for the business. The new paradigm of customer engagement could ultimately make RXH's platform as valuable as large single company loyalty schemes.

## INDUSTRIALS

## Key investment Points

## Membership, points and rewards program for small business

Rewardle (RXH) is a digital customer engagement platform for retailers. RXH uses cloud based technology to enable a loyalty scheme for small retailers whose scale and size would limit them from using a customer loyalty scheme in their business.



Figure 8: RXH Digital Customer Engagement Strategy

Source: RXH

Loyalty schemes are structured marketing programs that encourage customers to continue to support a business by offering incentives for giving the business ongoing custom. The idea of rewarding customers for ongoing custom has been around since 1793 when a US merchant started giving out copper tokens when a customer made a purchase that could then be exchanged for items in the store.

Growth in the use of information technology loyalty programs have morphed into sophisticated marketing programs that allow retailers to better understand the buying habits of their customers. Data warehousing and big data principles have been applied in the retailing industry for a number of years with great effect. Analysis of customer buying patterns has allowed retailers to improve their business and drive customer engagement.



Figure 9: Old style paper based loyalty cards

Source: DJ Carmichael

Loyalty schemes like the Qantas frequent flyer program have become businesses in their own rights. Qantas makes over \$1.2 billion selling frequent flyer miles to other businesses offering them as rewards for their customers. These sophisticated loyalty schemes have up until recently only been available to big business with large marketing budgets. Small scale loyalty schemes have been

largely driven by the manual buy 9 get 1 free punch card schemes. RXH makes it possible for small retailers to implement loyalty schemes with the same level of sophistication as large retailers.



Figure 10: Rewardle tablet, mobile app and cards on a café counter

Source: RXH

RXH enables small retailers to implement a sophisticated loyalty scheme that rivals the ones run by large retailers. Small retailers that offer localised services to a community generally rely on personalised service and convenience to attract customers to their business. These small retailers are generally viewed as being part of the community but generally they lack the ability to engage with their customers via multiple channels. They can advertise in the local newspaper or encourage people to follow them on Facebook. Services such as Yelp which offer a channel of communication via localised reviews, have lifted the level of engagement with customers, but they are limited in terms of providing communication with a broader customer base. Many small retailers, especially coffee shops have increased their customer loyalty by offering buy 9 get 1 free systems. These systems are traditionally punch card based and the retailer has no idea who its customers are and has no way of marketing to them directly.

The RXH electronic card and mobile app bridges this gap by encouraging customers to register their details on the system. The merchant can then engage with their customers via the app or email. An added advantage is that the merchant then monitors buying habits and customise its offering to better service its clients.

The RXH system consists of several key parts:

*Plastic Card*

The card is available at the counter of the coffee shop just like the paper cards and the customer can pick the card up and use it immediately without signing up. This helps to create a frictionless customer acquisition process.



*Mobile Phone App*

The heart of the RXH system is a mobile phone app that replaces the plastic card. It is the intention to migrate the customers away from the card to the app as the app offers a much broader range of communication and convenience options over the plastic card. The card is a clever customer acquisition device and not intended to be used in the long term.



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*Tablet at the Counter*

RXH supplies a fully functioning tablet that is prominently displayed at the counter. This acts as the scanning point for the card holder via a QR code. The tablet also acts as the “back office” for the retailer and they can access statistics as well as managed their rewards program from the tablet. All data is also transferred to the cloud in real time as long as there is an active internet connection.

*Cloud Based Data*

All client data is transferred to a cloud based system in real time or in batch mode depending on the internet connectivity available at the retailer. The uploading of data to the cloud allows for provision of back end data analytics for the retailers as well as other management functions.

The RXH system is not only aimed at coffee shops but all forms of small retailers. The points system is flexible allowing for retailers more options than just the purchase of a number of homogenous products to earn a reward but allows points to be earned on the amount spent. This allows for the redemption of more than just a single product reward but other products and services as well.

Market Sectors		
Bakeries	Bars	Burger shops
Butcher shops	Cafés	Fashion retail
Florists	Grocery stores	Gyms
Hair dressing salons	Ice cream parlors	Juice bars
Dry cleaning	Pizza shops	Restaurants
Salad bars	Sushi shops	Tattoo studios

Figure 11: RXH target market sectors

Source: RXH

**Funded for Growth**

The IPO raised \$3.5m which will allow RXH to fund growth for the next six months. RXH's key costs are staff salaries and merchant tablets. The tablets cost circa \$300 each and RXH supplies them to each retailer along with plastic cards which is part of its customer acquisition strategy. The key to RXH's success is a focus on expanding its foot print across Australia. RXH has focussed on growing its network across all of Australia's key markets. This is a deliberate strategy to lock out any competitors from gaining a foothold in any of the key markets and therefore RXH has a presence in each of Australia's main cities. RXH has several offshore installations. This is possible due to the fact the system is cloud based therefore there is no geographic limitation in terms of where the platform can be used.

**Clear Monetisation Model****Merchant Services**

RXH has a clear commercialisation model in that it charges merchants for the service on a monthly basis. RXH also plans to upsell its merchants on additional services with regards to further marketing and analytical services. This will give the merchant access to direct marketing opportunities and comprehensive data analytics so they can better understand their customer base. The cost of RXH's services is relatively small compared to the average marketing budget for a SME. Therefore the costs of the system is not prohibitive to the merchants relative to the potential benefits.

RXH has been initially offered to merchants on a trial basis in order to build market penetration. Merchants will be converted to paying customers when the free trial period lapses. The current focus however is growing the merchant and member base as fast as possible in order to lock in as many merchants as possible.

Big Data is growing in its use by business as they try and use customer information from various sources to construct better and more targeted marketing programs. RXH will be able to offer its merchants similar functionality that large loyalty programs that retailers such as Coles and Woolworths use in terms of customer analytics. This will allow merchants to be able to market directly to their customers because they will be able to contact them directly or via the RXH app with targeted marketing programs that are more effective than blanket advertising

### **Brand Partnerships**

RXH also gives other firms the ability to market to RXH members which currently number 437,000. In the same way that Qantas sells miles to other business to reward their customers with air miles, RXH can sell points to other businesses that can then reward its customers who are RXH members by providing a reward at RXH's merchants. For example, Telstra could purchase RXH points at a particular local coffee shop in order to reward its customer with a cup of coffee if they sign up to an additional Telstra service. Merchants would also benefit as it would drive more customers to their store.

### **Payment Platform**

RXH are planning to enhance revenue generation by enabling payments via the RXH system. Currently RXH allows members to store value with a merchant as a form of prepaid credit. After paying up front, the customer then uses this stored value to pay for purchases via Rewardle and tops up again when funds are depleted. It is conceivable that this service could develop into a successful mobile wallet solution that would bypass traditional banking and payment systems and RXH has potential to derive revenue from the merchant or member side of the transaction for supplying this service.

The uptake of prepaid credit on the system is accelerating and increased by 91% since the June quarter. This is the beginning of the process for RXH to be seen as a payment provider as the recording of pre-paid credit builds trust amongst its merchants and members.

There has also been a declining use of cash amongst consumers in Australian with 30% reporting not using cash in a month at all. Mobile phones are also increasingly being used for payments. Some smart phones have near field communication capability to facilitate this process and some banks are supplying smart stickers for phones that lack this capability. As consumers become more used to using their phones as a mobile wallets, RXH will be able to use its system to facilitate payments for goods and services from its merchants. RXH will then be able to charge per transaction. Currently about 447 million debit and credit transactions take place a month in Australia and the RXH system could capture a portion of this market.

There are a number of companies trying to disrupt the payment space and gain a foothold in the lucrative transaction space that is dominated by the credit card companies. Apple recently announced the inclusion of NFN (near field technology) in its new generation of mobile devices and the launch of the Apple Pay service. This shows how important this space is when Apple begins to take notice. The Apple system however has one big drawback in that the Apple Pay system is linked to the users iTunes account and therefore the merchant will not have any access to analytics on their customers. Essentially Apple has just replaced the plastic credit card with a mobile phone. RXH payment platform on the other hand will give the merchant access to their customer's data so they will know who they are so they can therefore use data analytics to drive customer engagement. It therefore possible that Apple Pay and RXH can coexist together as each one will perform a different



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function. Apple Pay will service the consumer wanting to make a purchase and RXH will service the merchant who wishes to digitally engage with their customer.

Other companies such as Google and PayPal have developed mobile wallets but uptake has been low at this point in time. The release of Apple Pay has increased awareness of the potential and this renewed interest may be positive for RXH.

### Large Potential Market

Frost and Sullivan estimate there are 200,000 small medium enterprises (SMEs) that potentially could offer reward programs with upwards of 60,000 to 80,000 currently offering a rewards program of some sort. The bulk of these are non-digital in nature which represents an opportunity for RXH.

Once a merchant has signed up to the program it is unlikely that they will easily move to another provider due to the inconvenience to their customers of reissuing cards and/or downloading of mobile applications. Therefore once a merchant has signed up to a loyalty scheme they tend to be sticky. This gives RXH a first mover advantage and will protect them from other membership, points and rewards programs gaining a large foothold.

There are currently 11 million smartphone users in Australia and this is expected to grow to 19 million by 2018. This puts the RXH system in reach of the bulk of the Australian population considering it is a smart phone enabled system. The rise in smartphone use also means that marketers are going to be spending more and more effort reaching people on their mobile device. Mobile advertising is one of the fastest growing segments of Australian online advertising spend. It is expected to grow from \$130 million to \$680 million by 2018.

### Natural Network Effects

The RXH system connects small retailers in a certain geographic area and as the merchant and member network grows there are inherent network effects that will accelerate the business's growth and form a natural barrier to entry.

### Backed by an experienced team

The RXH management team led by Ruwan Weerasooriya has already developed and sold several media and internet businesses. Ruwan along with his core team founded RXH in 2012. This core team have been together for a number of years and thanks to developing CafeScreen they have a lot of experience in this sector. CafeScreen put 400 digital screens and Wi-Fi hotspots in CBD and inner city café in Melbourne, Sydney, Brisbane, Perth and Adelaide.

### Peer group comparison

The closest comparable business to RXH is Belly which is a privately run business in the US and Canada. Belly launched the Bellycard in 2011 and has signed up over 6,000 merchants and has over 4 million members. Belly has raised over USD\$28 million in venture capital financing.

Other digital engagement businesses such as Yelp, Grubhub, Opentable do not have business models that are directly comparable to RXH but they operate in a similar market and use similar strategies to RXH. These North American peers provide digital services to local merchants similar to those addressed by RXH. With longer trading histories they have scaled to tens of thousands of merchants, are successfully monetising and enjoy valuations in the billions of dollars (See figure 4).

## Company Profile

RXH is based in Melbourne but has staff in all the major cities around Australia. The company is run on lean startup principles with salaries low and staff incentivised by options. Ruwan still owns ~75% of the shares and therefore is closely aligned with the other stakeholders.

## Board and Management

### **Ruwan Weerasooriya (Managing Director)**

Ruwan is the founder and Managing Director of RXH. He is a technology entrepreneur with a track record of founding and growing technology and media related businesses. In 2013 he was named in the Top 50 Australian Startup Influencers by Startupdaily.com.au.

In 1994, Ruwan co-founded one of Western Australia's first commercial internet service providers, the business was sold to competitor Wantree Internet that was in turn acquired by iiNet during its IPO lead up process. Following this, Ruwan went on to co-found web development firm Method + Madness. Method + Madness provided digital strategy and web development services to a number of high profile, top tier clients that included BankWest, The Premier of Western Australia, Fremantle Dockers Football Club, West Australian Newspapers, Netwealth.com.au, ING Bank and ING Direct. Method + Madness was acquired in 1999 by Sausage Software, now trading as SMS Management and Technology (ASX: SMX).

In 2007, Ruwan founded and funded the development of digital out of home media company CafeScreen. CafeScreen operates a network of approximately 400 digital screens and free WiFi hotspots located in CBD and inner city cafes in Sydney, Melbourne, Brisbane, Perth and Adelaide. In early 2012 a majority stake in CafeScreen was sold to a leading Australian out of home media company who now manages the day to day operations of the business.

### **Jack Matthews (Non-Executive Chairman)**

Jack has held a number of senior leadership positions within the digital media and subscription television industries in Australia and New Zealand. Since 2006 Jack played an integral role in the success of Fairfax's digital strategy, first as CEO of Fairfax Digital and most recently as CEO of Fairfax Metropolitan Media.

Jack is a current director of Crown Fibre Holdings, a company charged with investing \$1.5 billion to build an ultra-high speed broadband network in New Zealand, and Network for Learning, which offers schools and students in New Zealand access to fast, safe broadband and content services.

### **Brandon Munro (Non-Executive Director)**

Brandon Munro is a corporate lawyer by profession with executive experience in the private equity, mining, infrastructure and IT sectors. Brandon brings regulatory, governance, mergers and acquisitions and capital markets knowledge to the team, as well as his own experience co-founding start-ups in the IT and exploration sectors.

### **Peter Pawlowitsch – Corporate Development**

Peter Pawlowitsch is an accountant by profession with extensive experience as a director and officer of ASX-listed entities. He brings to the team experience in operational management, business administration and project evaluation in the IT, hospitality and mining sectors during the last 15 years.

### **Jason Potter – Chief Technology Officer**

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Jason Potter is a software engineer with more than 20 years' experience in software application development and business management across the financial services and digital media sectors. He has worked with Ruwan Weerasooriya as a key team member in the establishment and growth of Method + Madness, Huge Digital, TouchTaxi and CafeScreen.

### Risks

#### *Operating History*

RXH has limited relevant operating history in the development of a points and rewards platform and the unproven potential of its proposed new business model makes any evaluation of the business or its prospects difficult.

#### *Reliance on Key Personnel*

The Company's operational success will depend substantially on the continuing efforts of senior executives (in particular, Ruwan Weerasooriya).

#### *Reliance on New Products*

The Company's ability to grow RXH's Merchant and Member Network and generate revenue will depend in part on its ability to create successful new products.

#### *Building and Maintaining a Merchant and Member Network*

RXH's business plan is dependent on building a Merchant and Member Network that remain engaged with the RXH Platform.

#### *Programming errors, bugs, or vulnerabilities*

The Company's products may contain programming errors, which could harm its brand and operating results.

#### *Competition*

The Company will compete with other businesses and companies. Effective competition may reduce the scale of the Merchant and Member Network and operating margins that may be obtained from RXH's products.

#### *Security breaches*

If RXH's security measures are breached, or if its products are subject to cyber-attacks that restrict user access to its products, its products may be perceived as less secure than competitors and users may stop using RXH's products.

#### *Credit card fraud or Payment Gateways Disruption*

It is possible that the RXH business will in the future include the capacity to accept or process credit card transactions or other payment mechanisms. In such a case, RXH will be at risk of fraud by its members.

#### *Data loss, Theft or Corruption*

RXH stores data with a variety of third party service providers. Hacking or exploitation of some unidentified vulnerability in its network could lead to loss, theft or corruption of data.

#### *Directors retain a significant stake*

Following completion of the Offer (assuming full subscription), the Directors will retain approximately 76.34% of the issued capital of the Company.

### Rewardle Holdings (RXH.ASX)

Shares on Issue 116.0m  
Market Capitalisation \$33.5m  
Year End 30-June

Date 21 October 2014  
Share Price \$0.24/share  
Valuation \$0.83/share

### Equity Valuation, Return

Equity Valuation	A\$/share
Value of the Firm	0.83
Return	254%
Real Discount Rate	12%
<b>Shares on Issue</b>	
Issued Shares (End of Period)	116.00
Options on Issue	39.38
Diluted Shares incl options	155.38

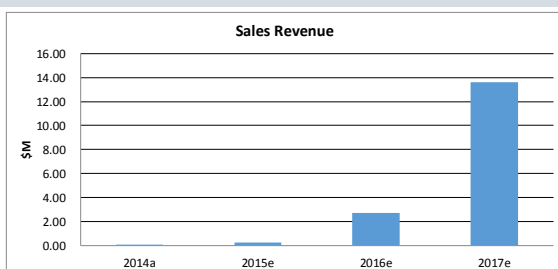
### Profitability

Key Metrics	2014a	2015e	2016e	2017e
Revenue Growth	188%	634%	1,176%	405%
EBIT Growth (Adj)	na	na	na	na
NPAT Growth (Adj)	na	na	na	na
EBITDA Margin (Adj)	na	na	na	57%
EBIT Margin (Adj)	na	na	na	47%
EPS - Reported	0.00	(0.08)	(0.02)	0.03
EPS - Fully Diluted Adjusted	0.00	(0.02)	(0.01)	0.02
EPS Growth	na	na	na	32%
Effective Tax Rate	0%	0%	0%	30%

### Financial Ratios

Earnings & Cash Flow Multiples (A\$)	2014a	2015e	2016e	2017e
EPS	0.00	(0.08)	(0.02)	0.03
EPS Growth	na	na	na	32%
P/E	0.00x	-1.27x	-7.01x	3.92x
EV/EBIT	0.00x	-5.73x	-12.93x	4.45x
EV/EBITDA	0.00x	-7.37x	-29.91x	3.66x

Balance Sheet	2014a	2015e	2016e	2017e
Gearing (Debt/Equity)	-99.1%	0.0%	0.0%	0.0%
Gearing (Net Debt/Equity)	-98.8%	-96.9%	-91.7%	-94.9%
EBIT Interest Cover	na	na	na	na
ROE	na	(41.4%)	(38.5%)	43.1%
ROA	na	(40.8%)	(35.8%)	46.8%
NTA Per Share	na	0.07¢	0.04¢	0.06¢



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### Income Statement

Full Year Summary (A\$m)	2014a	2015e	2016e	2017e
Sales Revenue	0.03	0.21	2.69	13.59
EBITDA	(1.05)	(2.63)	(0.98)	7.77
Depreciation & Amortisation	(0.36)	(0.75)	(1.29)	(1.39)
EBIT	(1.41)	(3.38)	(2.27)	6.38
Net Interest Expense	0.00	1.00	2.00	3.00
Profit Before Tax	(1.41)	(3.38)	(2.27)	6.38
Income Tax Expense	0.00	0.00	0.00	(1.91)
Underlying NPAT	(1.41)	(3.38)	(2.27)	4.46
Abnormal Items	0.00	1.00	2.00	3.00
Minority Interests	0.00	0.00	0.00	0.00
Reported NPAT	(1.41)	(3.38)	(2.27)	4.46
Normalised Earnings	(1.41)	(3.4)	(2.3)	4.5

### Cash Flow Statement

Full Year Summary (A\$m)	2014a	2015e	2016e	2017e
EBITDA	(1.05)	(2.63)	(0.98)	7.77
Other Items	0.00	0.00	0.00	0.00
Operating Cash Flow	(1.05)	(2.63)	(0.98)	5.85
Capital Expenditure	0.36	1.07	1.52	1.43
Other	0.00	0.00	0.00	0.00
Free Cash Flow	(1.41)	(3.70)	(2.50)	4.42
Equity Raised	0.00	11.56	0.00	0.00
Dividends Paid	0.00	0.00	0.00	0.00
Inc/(Dec) in Borrowings	1.45	0.00	0.00	0.00
Financing Cash Flow	1.45	11.56	0.00	0.00
Effects of Exchange Rates	0.00	0.00	0.00	0.00
Movement in Net Cash	(1.02)	5.24	(3.48)	10.27

### Balance Sheet

Full Year Summary (A\$m)	2014a	2015e	2016e	2017e
Cash	0.01	7.90	5.40	9.82
Current Assets	0.07	7.96	5.77	13.02
<b>Total Assets</b>	<b>0.07</b>	<b>8.28</b>	<b>6.32</b>	<b>13.62</b>
Debt	2.51	0.00	0.00	0.00
Other Liabilities	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>0.26</b>	<b>0.01</b>	<b>0.04</b>	<b>0.33</b>
<b>Total Shareholders' Equity</b>	<b>(2.53)</b>	<b>8.16</b>	<b>5.89</b>	<b>10.35</b>

Dividends	2014a	2015e	2016e	2017e
Dividend Per Share	0.0¢	0.0¢	0.0¢	0.0¢
Dividend Yield	0.0%	0.0%	0.0%	0.0%
Dividend Franking	0.0¢	0.0¢	0.0¢	0.0¢
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%

## INDUSTRIALS

## Disclosure Disclaimer

RCAN1219

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