

Aeris Limited

Leader in Geospatial Asset Protection

AER is a leading Australian geospatial company that has developed innovative products for the workplace safety, asset and contractor management sectors. These products automate manual incumbent processes creating substantial cost savings and increased business continuity, they include:

Early Warning Network – Enterprise asset risk management software that increases business continuity and safety by providing targeted, relevant, location specific event intelligence – that customers leverage to make smarter decisions, reduce financial exposure, obtain cost savings and create new business opportunities.

Safe@Work – A cloud based mobile location software solution with smart technology functionality that automates employee and contractor management services.

View360 – Geospatial imagery platform developed by customer demand for the government and insurance industry.

Strong Growth Outlook

AER has continued its strong growth from 1Q FY16 with 25% growth in cash receipts to \$0.4m for 2Q FY16, off a low base. Veritas Securities forecasts FY16 Revenue to increase by 87.9% to \$1.8m, driven by:

- An improved corporate structure, new products, increasing scope and complexity of existing customer contracts and the benefits being realised from the enterprise pricing restructure.
- Improved brand awareness around revenue and cost efficiencies of the products.

We expect further growth in FY17 and a move to profitability with Revenue growth of 92.2% to \$3.5m and an EBITDA of \$0.3m.

We view these forecasts as conservative, with the leverage from the technology platform increasing significantly on a growing customer base. Revenue is high margin at scale, with both procurement and setup costs recovered and a recurring subscription revenue model.

Valuation and Recommendation

We initiate coverage with a BUY recommendation and a price target of \$0.32 per share, based on:

Leading market position – First to market opportunity and the rapid acquisition of major blue chip customers has validated the benefits of the products.

Growth – A large pipeline of corporate prospects to underpin growth and Cash Flow breakeven in CY2016.

Valuation – Trading at a 146% discount to our valuation of \$0.32 per share.

AER.ASX

BUY

Monday 29 February 2016

Price	\$0.13
Price Target	\$0.32
Valuation Method	Revenue Multiple

GICS sector	Technology
12 mth price range	\$0.12 - 0.25 ps
Avg monthly t/o	0.1m
Market Capitalisation	\$7.1m
Shares on issue	54.8m
Enterprise value	\$4.8m
Previous rating	Initiating Coverage

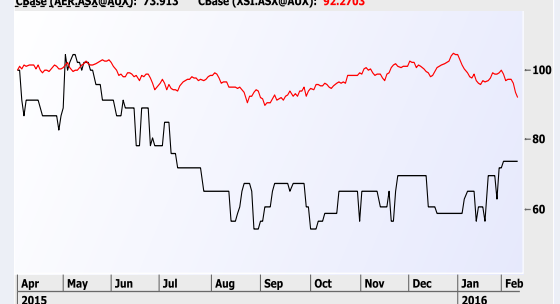
Year ended June 30		15A	16E	17E	18E	19E
Sales revenue	\$m	1.0	1.8	3.5	5.8	9.6
EBITDA	\$m	(0.7)	(0.6)	0.3	1.4	3.3
EBITDA margin	%	(67)	(30)	9.4	23.7	34.6
EBIT	\$m	(0.7)	(0.6)	0.2	1.3	3.2
EBIT margin	%	(77)	(35)	6.9	22.2	33.7
NPAT	\$m	(0.7)	(0.6)	0.3	0.9	2.3

EPS	¢ps	na	na	0.6	1.7	8.4
EPS growth	%	na	na	na	206	389
DPS	¢ps	na	na	0.0	0.0	0.0
Franking	%	na	na	0.0	0.0	0.0
Dividend Yield	%	na	na	0.0	0.0	0.0
PE	x	na	na	23.1	7.5	1.5

EV / EBITDA	x	na	na	14.0	2.7	0.4
Debt / Debt + Equity	%	0.0	0.0	0.0	0.0	0.0
Price / Cash Flow	x	na	na	10.2	4.8	1.3
ROA	%	na	na	4.9	20.4	36.7
ROE	%	na	na	6.8	17.0	31.0

AER v Small Industrial Index (XSI)

CBase (AER.ASX@AUX): 73.913 CBase (XSI.ASX@AUX): 92.2703



Source: IRESS

Activities

An independent operator of The Early Warning Network and asset management services.

www.ewn.com.au

www.aeris.com.au

Levi Hawker +61 (0) 3 8676 0689

lhawker@veritassecurities.com.au

Aeris Limited

Current Price: \$0.13 ps

Valuation: \$0.32 ps

Financial Performance (A\$m)

Year ended June	2015a	2016e	2017e	2018e	2019e
Sales revenue	1.0	1.8	3.5	5.8	9.6
Cost of goods sold	(0.3)	(0.4)	(0.7)	(0.9)	(1.4)
Gross profit/(loss)	0.7	1.4	2.8	4.9	8.1
Expenses	(1.3)	(1.9)	(2.5)	(3.5)	(4.8)
EBITDA	(0.7)	(0.6)	0.3	1.4	3.3
Depreciation & amortisation	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
EBIT	(0.7)	(0.6)	0.2	1.3	3.2
Net interest	0.0	0.1	0.1	0.1	0.1
Pre-Tax Profit/(Loss)	(0.7)	(0.6)	0.3	1.3	3.3
Tax (paid)/refund	0.0	0.0	0.0	(0.4)	(1.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Normalised Profit/(Loss)	(0.7)	(0.6)	0.3	0.9	2.3
Significant items	0.0	0.6	0.4	0.3	0.2
Reported Profit/(Loss)	(0.7)	(0.0)	0.7	1.3	2.5

Balance Sheet (A\$m)

Year ended June	2015a	2016e	2017e	2018e	2019e
Cash	3.1	2.3	2.5	3.5	5.7
Receivables	0.1	0.3	0.5	0.8	1.3
Property, Plant & Equipment	0.1	0.1	0.1	0.1	0.1
Intangibles	1.1	1.8	2.3	2.8	3.3
Other assets	0.0	0.0	0.0	0.0	0.0
Total Assets	4.4	4.4	5.4	7.2	10.4
Payables	0.2	0.2	0.3	0.3	0.3
Current 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 liabilities	0.0	0.1	0.2	0.7	1.3
Total Liabilities	0.2	0.3	0.5	1.0	1.7
Shareholder Funds	4.2	4.2	4.9	6.2	8.7

Cash Flow Statement (A\$m)

As at June	2015a	2016e	2017e	2018e	2019e
EBITDA	(0.7)	(0.6)	0.3	1.4	3.3
Net interest	0.0	0.1	0.1	0.1	0.1
Income tax paid	0.0	0.0	0.0	0.0	(0.4)
Working capital	0.0	(0.1)	(0.1)	(0.3)	(0.5)
R&D tax incentive	0.2	0.6	0.4	0.3	0.2
Operating Cash Flow	(0.4)	(0.1)	0.7	1.5	2.7
Capex	0.0	(0.0)	0.0	0.0	0.0
Free Cash Flow	(0.4)	(0.1)	0.7	1.5	2.7
Disposals / Acquisitions	0.0	0.0	0.0	0.0	0.0
Development costs	(0.6)	(0.7)	(0.5)	(0.5)	(0.5)
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised	3.7	0.0	0.0	0.0	0.0
Debt (Repay) / Borrowings	0.0	0.0	0.0	0.0	0.0
Net increase / (decrease) cash	2.7	(0.8)	0.2	1.0	2.2
Cash at beginning	0.4	3.1	2.3	2.5	3.5
Cash at end	3.1	2.3	2.5	3.5	5.7

Major Shareholders

Major Shareholders	Directors
Kerry Plowright [CEO]	14.8% Kerry Plowright Chairman/CEO
Jetosea Pty Ltd	11.1% Ben Loiterton Exec Director
Ms Margo Plowright	9.4% Bryce Reynolds Non-Exec Director
Venturastar Pty Ltd	7.8%
Top 20 (30/06/2014)	70.3%

Valuation Metrics

Valuation Metrics	Premium / (Discount)
Current Price	0.13 ps
Revenue Multiple	0.32 ps (146%)
DCF	0.64 ps (390%)
Market Capitalisation	\$7.1m
Implied FY17 EV/Revenue	5.0x
Implied FY18 EV/Revenue	3.0x
Implied FY19 EV/Revenue	1.8x

Growth Ratios (%)

Year ended June	2015a	2016e	2017e	2018e	2019e
Sales revenue	0.0	87.9	92.2	64.6	65.9
COGS	0.0	51.0	59.0	27.8	59.6
Gross profit	0.0	103.8	102.8	73.9	67.1
Expenses	0.0	45.2	27.7	41.8	37.7
EBITDA	0.0	na	na	314	142
Normalised profit	0.0	na	na	206	145
EPS	0.0	na	na	206	389

Operating Performance Ratios

Year ended June	2015a	2016e	2017e	2018e	2019e
Gross Profit / Sales revenue (%)	69.8	75.7	79.9	84.4	85.0
EBITDA / Sales revenue (%)	na	na	9.4	23.7	34.6
NPBT / Sales revenue (%)	na	na	8.8	23.3	34.4
Effective tax rate (%)	0.0	0.0	0.0	30.0	30.0

Balance Sheet Ratios

Year ended June	2015a	2016e	2017e	2018e	2019e
Receivables turn (x)	7.2	9.3	9.4	8.9	8.9
Net debt (\$m)	0.0	0.0	0.0	0.0	0.0
Debt / (Debt + Equity) (%)	0.0	0.0	0.0	0.0	0.0
Current Assets / Current Liabilities (x)	13.1	11.4	9.3	12.3	18.8
Net assets (eps)	7.6	7.6	9.0	11.3	31.9
Net tangible assets (eps)	5.5	4.2	4.7	6.1	19.7
Cash (eps)	5.6	4.2	4.5	6.3	20.8
Price to book value (x)	1.7	1.7	1.5	1.2	0.8
Return on assets (%)	na	na	4.9	20.4	36.7
Return on equity (%)	na	na	6.8	17.0	31.0

Multiples (x)

Year ended June	2015a	2016e	2017e	2018e	2019e
PE Ratio	na	na	23.1	7.5	1.5
Enterprise value / Revenue	4.2	2.6	1.3	0.6	0.1
Enterprise value / EBITDA	na	na	14.0	2.7	0.4
Enterprise value / Profit	na	na	15.0	3.9	0.6
Cash flow ratio	na	na	10.2	4.8	1.3

Per Share Data

Year ended June	2015a	2016e	2017e	2018e	2019e
Issued shares - weighted average (m)	3.8	54.8	54.8	54.8	54.8
EPS (eps)	na	na	0.6	1.7	8.4
EPS - adjusted (eps)	na	na	0.6	1.7	8.4
Operating cash flow (eps)	na	na	1.3	2.7	9.9
Free cash flow (eps)	na	na	1.3	2.7	9.9
DPS (eps)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Investment Case

High Growth Sector – Asset management, workplace safety and severe weather warnings are growth sectors. The major growth opportunities are driven by innovation, with:

- An estimated 10% of revenue being lost by corporations from inefficiencies in current manual processes. The benefits scale significantly with AER products to include cost savings from efficiencies realised through automation.
- Increased occurrence of severe weather events, with costs from damages expected to double by 2030 to over \$12 billion annually (2012 Deloitte Access Economics Report). This excludes loss of revenue.
- Increases in the rate of adoption for AER's innovative products, as the early adopters validate the services. The next stage of growth for AER will be rapid as the remaining participants in each industry race to sign up.

Industry Position – AER has the first-mover advantage in Australia. This leading position is significant due to:

- The long procurement process to prove innovative new technology across governments and industry that influences a cultural change and a shift from costly incumbent processes. Delivering a product that offers increases in revenues and cost efficiencies is a game changer.
- Securing government and blue chip customers provides access to key databases creating a significant advantage. Delivering an innovative product with these relationships in place is a major competitive advantage and extremely difficult for a new competitor to break this relationship.

Growth Outlook – Strong growth is expected with the newly appointed sales team, large pipeline of corporate prospects, new marketing strategy and significant operating leverage in the technology platform, offers the following benefits:

- A significant increase of 87.9% in revenue from \$1m in FY15 to \$1.8m in FY16 and a 92.2% increase in FY17 to \$3.5m, with ~70% stable recurring subscription based revenues.
- An increase in average revenue per contract following the restructuring of corporate pricing in 2H 2015.
- The recent appointment of a government, enterprise and emergency management Director with experience in introducing new technology innovations for Emergency Services and alerting communications.
- Appointment of a sales team, adding considerable capability to convert new sales leads and faster onboarding of the current pipeline.

Strong Balance Sheet – AER is well funded to cash flow break even with No Debt and Net Cash of \$2.6m (4.7¢ per share).

Valuation – Trading at a 146% discount to our valuation of \$0.32 per share. We believe this valuation to be fair based on AER's first to market products, large pipeline of customers in procurement and a high margin platform at scale.

Severe weather damages are expected to double by 2030.

Access to key customer databases creates significant advantages.

A 92.2% increase in FY17 revenue to \$3.5m.

Cash at Bank of \$2.6m (4.7¢ per share).

The Asset and Contractor Management Sector

The sizes of the sectors are difficult to quantify due to their fragmented structure, however they can be considered a high growth market. Recent advances in mobile technology and cloud computing have created opportunities to develop low cost innovative products that will deliver substantial cost savings to outdated inefficient manual processes across entire organisations.

The market is big, in May 2015 IBISWorld estimated the Health and Safety Services sector in Australia at \$1 billion, with an annual growth rate of 4.5%. In the US, it is estimated the sector to be around \$6 billion, expected to grow at 3.3% annually.

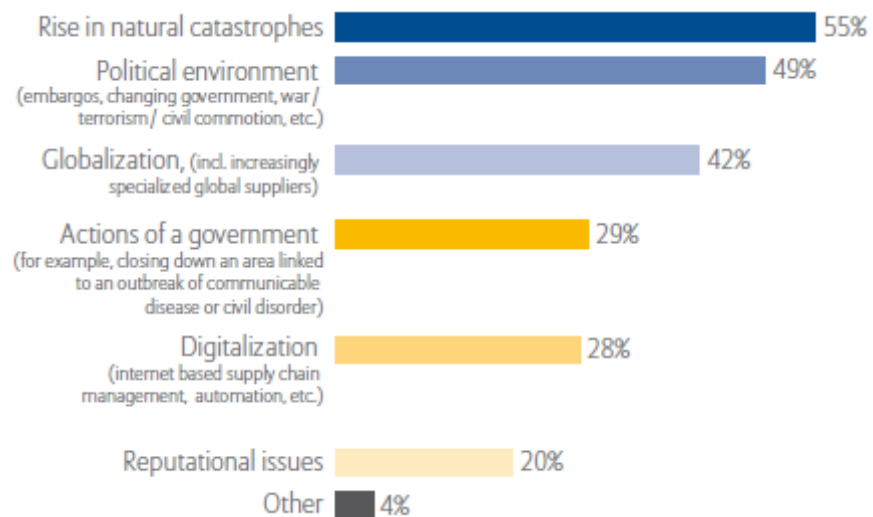
The opportunity to establish market share with a first mover advantage is significant. In 2012, the International Association for Contract & Commercial Management (IACCM) estimated corporations are losing an average 10% of annual revenue through inefficiencies in manual contractor management services.

Safety and All Hazard Risk Management Sector

The interconnectivity of risk is growing as technology and globalisation create a complex web of relationships and interdependence. This trend can be seen in the global impact of major natural catastrophes.

In 2015, Allianz Global found the impact of business interruption as the top risk companies face in an increasingly interconnected and globalized business environment and found the largest risk trend is a rise in natural disasters.

Figure 1: The top trends increasing the threat of business interruptions



Source: Allianz Risk Barometer 2015.
Figures represent a percentage of all eligible responses. More than one answer selected.

It is estimated corporations lose an average of 10% of annual revenue through manual contractor services.

Business interruption is the top risk companies face.

Cost of natural disasters to the Australian economy is forecast to double to \$12 billion by 2030.

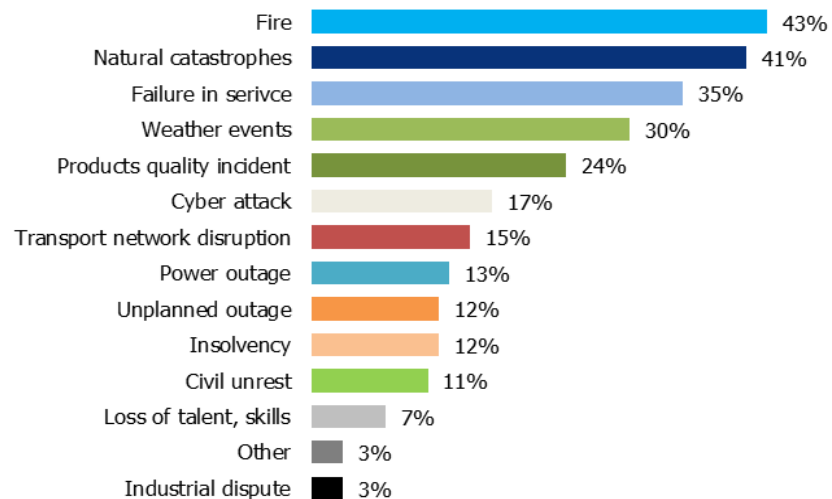
In 2012, Deloitte Access Economics estimated the cost of natural disasters to the Australian economy at around \$6 billion and forecast this to double to \$12 billion by 2030. In 2014, the overall cost of severe weather damage in Australia totalled \$24.2 billion. The largest costs were related to severe thunderstorm at \$17 billion and winter storms at \$3.7 billion.

While insurance can provide protection from some of the losses caused by business disruption, dependence on it alone is not enough. Coverage of financial losses does not take account of a loss of market share or decline in share price. The impact of such blows can be even more devastating to a business than the direct financial losses stemming from an incident.

There is an increasing need to analyse processes with the collaboration between threat assessment and risks of different areas of the business to enable early warning systems to be created. The major interruptions a company fears are fire, natural catastrophes, weather events and transport disruption. In 2014, Insurance Australia Group (IAG) estimated that recovery costs can be decreased by 50% for every dollar spent on pre-disaster investment.

It is estimated that recovery costs can be decreased by 50% for each dollar spent on pre-disaster investment.

Figure 2: Major causes of business interruption companies fear most



Source: Allianz Risk Barometer 2015.
 Figures represent a percentage of all eligible responses. More than one answer selected.

Aeris Products

AER provides enterprise location as a service (LaaS) software for asset protection, risk management, severe weather and all hazards warnings. The proprietary software embeds geospatial functionality across AER's products. AER has a number of leading enterprise products:

Situation Room



Enterprise Asset Management Solutions - The Early Warning Network (EWN)

The EWN is an enterprise severe weather risk management solution that improves business continuity and reduces economic and employee costs by providing timely and highly targeted notifications for identified threats to business operations. This integrated risk management solution includes:

- **Situation Room** – is a centralized platform that uses the client's proprietary data and processes combined with AER's proprietary climate business analytics to monitor and communicate with all the customer's operational assets. The platform is licensed and operated by the customer.
- **EWN App** – provides real-time warnings, alerts and communications to employees and field assets. The app uses positioning technology to identify the current location to send location specific alerts to employees.

EWN App



AER offers a consumer based product with city, state and nation wide area warnings issued from multiple public and proprietary sources. This product is highly generic in functionality and varies significantly to the enterprise product. The product is subscription based and can be downloaded from:

Google Play Store

https://play.google.com/store/apps/details?id=com.au.ewn&referrer=utm_source%3Dewna&utm_medium%3Dwebsite

Apple iTunes Store

<https://itunes.apple.com/au/app/ewn/id490985584?mt=8>

Contract Management Software – Safe@Work

This product is a cloud based location software solution with smart technology functionality that automates contractor management services. The innovation in the product increases the capability of senior management by replacing manual paper-based workflows with technology that reduces risk, improves payment accuracy, ensures appropriate and compliant revenue and elevates quality performance.

The software uses smart technology by creating geo-fenced areas within an organization and authorises employees and contractors working in pre-authorized locations around places of work. The software automatically logs and monitors employee and contractor attendance using a GPS-enabled device and can communicate directly with management.

Geospatial image services – View360

Driven by customer demand the high resolution aerial telemetry utilizes street view camera technology that can be mounted to unmanned aerial vehicles (UAV), watercraft, backpacks and vehicles. The service offers 360 degree panoramic monitoring, survey and documentation of physical assets in the field. Key target sectors include insurance underwriters, local, state and federal governments.

Safe@Work App



Outlook

A continuation of growth is expected with revenue growth escalating as a result of the management and sales appointments in FY15 and the increase in brand awareness across the target markets.

Contract Scaling - Continued strong growth in scope and complexity of contracts to drive revenue growth with:

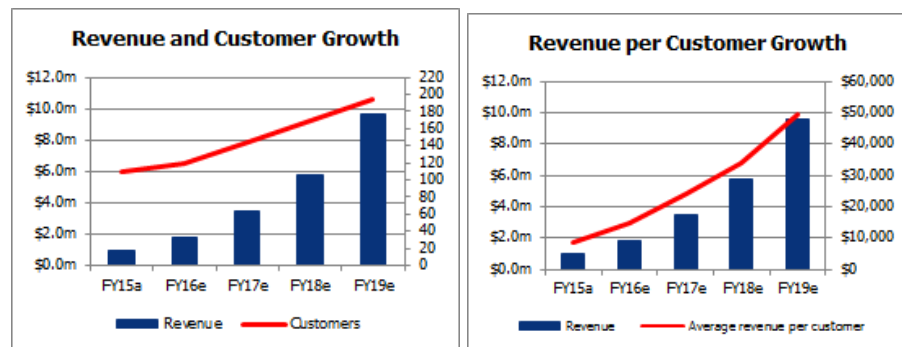
- Continued growth in product education across the target markets around the benefits of AER’s products. We expect this will increase the size of initial contracts post procurement and deliver strong growth in revenue.
- The continued restructuring of existing customer contracts with the new firmer enterprise pricing agreement. This will be complimented by upselling value added services.

Customer Base - An increase in growth is helped by:

- The benefits realised from the newly appointed sales team and business development hires.
- A focus on converting industry leaders across all target markets to further establish market leadership. This will be helped by the recent appointment of Michael Hallowes as Director, adding considerable experience in the government and emergency sectors.

Procurement - An increase in brand awareness and the success of the early customer wins validating the benefits of the products.

Figure 3: Revenue and customer growth



Source: Company data, Veritas estimates

Forecasts

We believe these forecasts are conservative on the basis of the procurement periods remaining steady and a conservative schedule for the rollout of the restructured pricing model to existing customers.

FY16 – We are forecasting an EBITDA of $-\$0.6\text{m}$ on Revenue of $\$1.8\text{m}$, with the benefits of the new sales team and the pricing restructure not realised until FY17. AER is well funded as it moves to break even cash flow with Cash of $\$2.6\text{m}$ (4.7¢ ps).

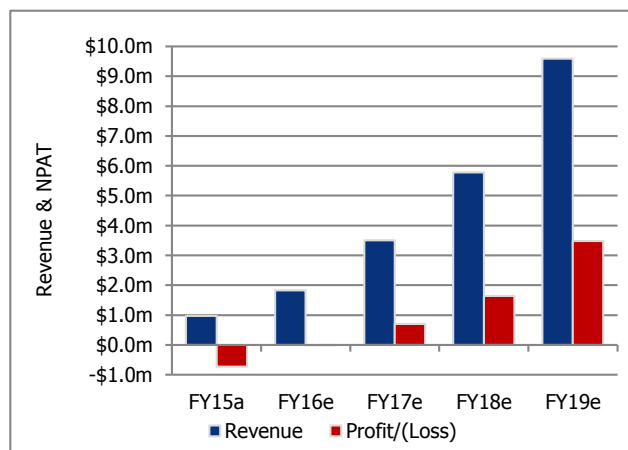
The key factors will be:

- An increase in the growth of customer acquisitions across the pipeline, sales leads and referrals, with a focus on larger enterprise customers in key markets.
- The restructuring of the corporate pricing model and an increase in scope of the existing customer base to reflect the new enterprise pricing model.
- The launch of Safe@Work to new customers and cross sold to existing clients.
- The launch of View360 to be promoted to the insurance industry, state and federal governments.
- Replacing the freemium EWN consumer app with a subscription and in-app purchasing model.

FY17 – We are forecasting a maiden NPAT of $\$0.3\text{m}$ on a 92.2% Revenue increase to $\$3.5\text{m}$. This will reflect the benefits from the pricing restructures, new sales team momentum and brand validation creating efficiencies by reducing the procurement process.

FY18 – Further growth is expected with an increase in EBITDA to $\$1.4\text{m}$ on Revenue growth of 64.6% to $\$5.8\text{m}$, a NPAT of $\$0.9\text{m}$ and a company tax rate of 30%.

Figure 4: Forecast Revenue and NPAT



Source: Veritas estimates

AER is well funded to break even cash flow.

A maiden NPAT of \$0.3m

Valuation

We have a valuation of \$0.32 per share.

We have a 12 month valuation of \$0.32 per share, which values AER at \$17.5m (fully diluted), using our Revenue multiple valuation model, based on:

Revenue Multiple – A valuation of \$0.32 per share, a multiple of 5x on FY2017 forecast revenue of \$3.5m. This compares to an industry average of similar Australian companies on 6.6x multiples.

Figure 5: Revenue Multiple Valuation

Revenue Multiple Valuation	Revenue Multiple FY2017			
	A\$m	x	A\$m	ps
Revenue	3.5	5.0x	17.5	\$0.32
Options - In the money			0.0	0.0
Valuation			17.5	\$0.32
			2017	2018
Aeris EV/Revenue multiples			1.3x	0.6x
Australian industry averages			6.6x	3.8x
Discount to industry			-80%	-84%
Implied EV/Revenue multiples			5.0x	3.0x
Discount to industry			-24%	-21%

Source: Company data, Veritas estimates

We believe this valuation to be fair compared to similar companies in Australia and internationally. The table below indicates AER is trading at a substantial discount to the weighted average for FY17 and FY18 across all performance metrics, based on:

AER is trading at a 93.5% discount to similar Australian companies.

- Trading at a 93.5% discount to the weighted average of similar Australian companies' enterprise value.
- AER is trading at a substantial 93.2% discount to similar Australian companies that generate no Revenue.
- Trading at a 79.9% discount to the FY17 EV/Revenue to similar Australian companies.
- AER is trading at a substantial 80% discount to Spookfish, a company that is currently an intellectual property silo and generates no revenue.
- AER is trading at a 58.5% discount to FY17 EV/Revenue multiples and a substantial 79.2% discount to FY18 EV/Revenue multiples of similar international and Australian companies.

The table below covers listed Australian technology sector companies. AER is trading at a substantial discount across all metrics.

Figure 6: Australian Technology Sector Comparisons

Company	Code	Price A\$	Mkt Cap A\$m	Ent Val A\$m	Revenue A\$m	EV/Revenue	
						2017	2018
Aeris Limited	AER	0.13	7.1	4.6	1.0	1.3x	0.6x
Discount			-91.0%	-93.5%		-79.9%	-83.6%
1 Page	1PG	2.34	383.5	326.1	-	-	-
Isignthis	ISX	0.03	271.4	260.2	-	-	-
Urbanise	UBN	0.63	173.9	167.4	9.2	6.7x	4.2x
Resapp	RAP	0.13	134.0	131.3	-	-	-
Updater	UPD	0.26	131.5	114.8	-	-	-
Building IQ	BIQ	1.01	111.9	90.9	-	-	-
SmartTrans	SMA	0.05	109.4	106.3	4.3	-	-
Latam Autos Ltd	LAA	0.27	101.1	82.7	-	9.0x	7.1x
AHALife	AHL	0.46	86.5	73.2	-	6.1x	2.9x
Iwebgate Ltd	IWG	0.14	85.7	82.5	0.4	-	-
LiveTiles	LVT	0.22	82.7	72.6	-	-	-
Norwood Systems	NOR	0.06	67.9	61.4	-	-	-
Dubber	DUB	0.61	62.2	58.0	-	-	-
Reffind	RFN	0.51	57.3	52.6	-	-	-
Ziptel	ZIP	0.49	55.2	52.4	0.5	-	-
iCandy	ICI	0.22	54.1	54.1	-	-	-
Animoca Brands	AB1	0.20	51.3	46.4	-	3.8x	1.8x
Spookfish	SFI	0.04	34.0	27.3	-	-	-
Rent.com.au	RNT	0.19	31.6	26.4	-	-	-
CV Check	CV1	0.35	31.4	26.5	-	-	-
Medibio	MEB	0.22	28.0	26.1	-	-	-
Kabuni	KBU	0.15	26.1	20.1	-	-	-
Velpic	VPC	0.05	25.3	22.0	-	7.2x	5.0x
Enzumo	ENZ	0.28	22.8	18.1	-	-	-
Skyfii	SKF	0.13	18.3	13.3	0.7	6.7x	2.1x
Otherlevels	OLV	0.10	16.9	13.6	-	-	-
TopBetta	TBH	0.20	14.9	9.6	-	-	-
iCollege	ICT	0.10	14.0	13.2	-	-	-
Tomizone	TOM	0.14	13.3	12.3	-	-	-
Weighted Average			79.2	71.1	3.0	6.6x	3.8x

Source: Factset, Veritas estimates

The table below covers listed Australian, international and private international companies. AER is trading at a substantial discount across all metrics.

Figure 7: Australian and international comparisons

Company	Price A\$	Mkt Cap A\$m	Ent Val A\$m	Sales A\$m	EV/Revenue	
					2017	2018
Australian						
Aeris	0.13	7.1	4.6	1.0	1.3x	0.6x
(Discount)/Premium					-58.5%	-79.2%
Nearmap	0.37	129.8	112.6	26.1	3.6x	2.7x
Spookfish	0.04	36.1	32.4	-	-	-
International						
Dassault Systemes	104.46	26,817	24,825	4,196	4.9x	4.3x
Verisk Analytics	96.11	16,284	20,484	2,503	7.0x	6.0x
Hexagon B	46.47	16,743	19,408	4,308	3.7x	3.4x
Autodesk	60.25	13,575	12,457	3,190	3.3x	4.0x
Trimble Navigation	26.59	6,661	7,567	2,914	2.4x	2.2x
Topcon	12.28	1,327	1,930	1,412	0.9x	0.8x
FARO Technologies	34.15	594.1	364.9	414.6	0.8x	0.6x
GWS Production AB	2.18	31.1	na	na	na	na
Private*						
Accuweather	-	-	-	82.1	na	na
Esri Incorporated	-	-	-	686.7	na	na
Intergraph	-	-	-	576.8	2.0x	na
Industry Averages					3.2x	3.0x

Source: Factset, Veritas estimates.

* Revenue and performance metrics based on latest available data.

Currency: Australian dollars.

Merger and Acquisition Activity

The sector is involved in a high level of merger and acquisition activity. Recent high profile deals include:

The sector has a high level of merger and acquisition activity.

- In 2010, private equity buyout of Intergraph Corporation for \$1.3 billion.
- IPernica Ltd acquired NearMap Pty Ltd for USD\$9.3m in 2008.
- Esri Inc has acquired SpotOn Systems Inc. (2011, undisclosed valuation), FortiusOne Inc (2012, undisclosed valuation), Maptel Pty Ltd (2012, undisclosed valuation), Geoloqi LLC (2012, undisclosed valuation) and SUNDOSP Inc for USD\$3.3m.
- Since 2015, Hexagon has acquired multiple targets for undisclosed valuations including Paul Macarthur Ltd, CAMTECH GmbH & Co., Claughton Office Equipment, EcoSys Management LLC and Blue Iron Systems, Inc.
- Since 2002, Accuweather's acquisition activity includes Online Weather Ltd, Weatherdata Inc, Sky Motion Research Inc, WeatherBank Inc and Hazard Notifications LLC.
- In 2015, Autodesk acquired netfabb GmbH for USD\$44.1m, teamUp Technologies Inc for USD\$52.6m, Modio (undisclosed valuation) and Tweak Software Inc (undisclosed valuation).
- Topcon Corp., acquired Wachendorff Elektronik (2014, undisclosed valuation), Digi-Star LLC for USD\$133m in 2015, NORAC Systems International (2015, undisclosed valuation), ifa systems AG in 2015 for USD\$22.8m and Viasys VDC Oy (2016, undisclosed valuation).
- In 2015 GWS Production acquired Travelogix Ltd for USD\$5m.
- IBM acquired the Weather Channel for \$2 billion in 2015.

Background

Aeris is the largest aggregator of geospatial data providing unique location based Safety, Operations Management, Severe Weather and All Hazards data and content services in Australia. Established in 2006 as The Early Warning Network by Look Here Pty Ltd and incorporated as Aeris Limited in April 2014. Following the restructure of Look Here Pty Ltd, Aeris Limited was publicly listed in April 2015 for \$13.7m.

AER listed on the ASX in April 2015.

- In April 2015, Aeris Limited (ASX:AER) listed on the ASX, following the successful raise of \$3.5m at an issue price of \$0.25 per share, supported by strong interest from institutional and sophisticated investors. Upon listing Aeris has 54,775,070 fully paid ordinary shares on issue and a market capitalisation of \$13.7m.
- 19/05/2015 strengthened the company structure with the first ever sales team and expansion of the business and technology development teams.
- 26/05/2015 AER expands the product portfolio with a new workplace safety app targeted at the transport & logistics, construction, utilities and infrastructure and mining industries.
- On 11/11/2015 AER strengthened the management team and the business development capability in the government and emergency management sector by the key appointment of Mr. Michael Hallows.

Board

The Board has the relevant experience and skills which include professional services, corporate governance and financial management.

Kerry Plowright – Executive Chairman and Chief Executive Officer

Mr. Plowright is the founder of Aeeris and The Early Warning Network. He has been the driver behind the development of the Company's technology platform and services offering, and commercializing the operation.

Kerry was Executive Director of Earth Trust South Pacific. He led a unique project in 1991 to map the New Zealand coast using GPS encoded aerial oblique video. To accomplish this he built New Zealand's first certified micro-lite float plane which he piloted.

Shareholding: 16,410,490 shares (29% fully diluted), 1,500,000 options.

Ben Loiterton – Executive Director

Mr. Loiterton has had a career spanning over 20 years in corporate advisory, investment management and entrepreneurial activity. He has advised and assisted many ASX listed and private companies in connection with equity capital raising, IPOs, M&A transactions and general strategy.

Ben is a Principle at Andover Group. He also held senior executive positions at three ASX listed investment companies and corporate finance roles with two mid-market stockbroking firms.

Shareholding: 4,257,000 shares (5.7% fully diluted), 1,500,000 options.

Bryce Reynolds – Non-Executive Director

Mr. Reynolds has been involved in the finance industry since 1986. His experience includes funds management, proprietary trading, stockbroking and investment banking. He has detailed experience in advisory, mergers and acquisitions and equity capital markets.

In 2006, Bryce established Veritas Securities Limited as a founding director. Prior to this he worked at a large investment bank and two mid tiered Australian securities firms. Bryce has been an active company director for numerous private ventures in the funds management and IT/digital fields.

Shareholding: 2,791,350 shares (5% fully diluted), 3,490,000 options.

Sales

Robert Scappatura +61 2 8252 3240
 Andrew McCauley +61 2 8252 3260
 Bryce Reynolds +61 2 8252 3215
 Pat Ford +61 2 8252 3211
 Clay Melbourn +61 2 8252 3220

Research

Resources
 Piers Reynolds +61 3 8601 1196

Industrials
 Brent Mitchell +61 3 8605 4830
 Levi Hawker +61 3 8676 0689

RATING

BUY – anticipated stock return is greater than 10%
 SELL – anticipated stock return is less than -10%
 HOLD – anticipated stock return is between -10% and +10%
 SPECULATIVE – High risk with stock price likely to fluctuate by 50% or more

This report has been issued by Veritas Securities Limited A.B.N. 94 117 124 535, Australian Financial Services Licence Number 297043.

Disclaimer. The information contained in this document is general securities advice only and does not take into account your specific financial situation, particular needs and investment objectives and you should consider your own circumstances before acting on the advice. This document has been prepared from sources which Veritas Securities Limited ("Veritas") believes to be reliable, but none of Veritas, its directors, employees and associates ("Veritas Parties") give or make any representation or warranty that any such information is accurate, complete, reliable or up-to-date, and Veritas disclaims all liability for loss or damage, direct or indirect, suffered by any person arising from any use of or reliance on such information. Veritas recommends that you consult your financial adviser before making any financial or investment decision. Veritas does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect any of the information contained in this document.

Disclosure of interest. Veritas Parties may receive or may have received fees, commissions and brokerage by acting as corporate adviser or broker for companies described in this document, and may hold directorships or other offices with such companies. Veritas Parties may hold an interest in securities or financial products described in this document, may benefit from an increase in the price or value of them, and may effect or participate in transactions which are inconsistent with any statement made in this document.

Veritas Securities Limited
 A.B.N. 94 117 124 535
 AFSL No. 297 043
 GPO Box 4877, Sydney, NSW, 2001
 www.veritassecurities.com.au

Sydney
 Level 4, 175 Macquarie Street
 Sydney, NSW, 2000
 Tel: (02) 8252 3200
 Fax: (02) 8252 3299

Melbourne
 Level 8, 350 Collins Street
 Melbourne, VIC, 3000
 Tel: (03) 8601 1196
 Fax: (03) 8601 1180