

Speculative
See key risks on page 2

Analyst

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Catapult Group Int'l (CAT)

Increasing probability of data monetisation

Authorisation

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Recommendation

Buy (unchanged)

Price

\$1.82

Valuation

\$2.40 (previously \$2.10)

Risk

Speculative

GICS Sector

Software and Services

Expected Return

Capital growth	31.9%
Dividend yield	0.0%
Total expected return	31.9%

Company Data & Ratios

Enterprise value	\$214.6m
Market cap	\$221.7m
Issued capital	121.8m
Free float	37%
Avg. daily val. (52wk)	\$117,501
12 month price range	\$0.525 - \$1.94

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	1.55	1.55	
Absolute (%)	17.42	17.42	
Rel market (%)	20.67	17.18	

Absolute Price



SOURCE: IRESS

CAT signs agreement with Champion for the AFL

CAT has signed an MOU with Champion Data to be the provider of GPS based athlete tracking services to the AFL. The deal is for 5 years and will commence in the 2016 season. This deal is significant for CAT for a number of reasons including:

- **Validates CAT's defensiveness:** CAT came up against significant competition for the rights to the AFL. In August, CAT announced that Champion data was selected as a preferred partner, and it seemed likely that CAT would not be involved in the provision of a game day solution. Today's announcement illustrates to us the strength of CAT's competitive position.
- **Second league wide deal:** CAT has effectively secured its second league wide deal and now has an opportunity to showcase to other leagues the benefits of its service and its ability to monetise data. We believe that other league wide deals would be in the pipeline that would further entrench CAT's competitive position.
- **New revenue stream now more likely:** CAT stated that the agreement ensures CAT will receive an annual subscription payment plus a share of new revenue generated from any commercial applications of wearable data. We have previously highlighted the possibility of additional revenue from data monetisation as upside to our forecasts, however this now seems more like a probability. The timing and value to CAT in the short term remains unclear.

Maintain Speculative BUY, Valuation up 14% to \$2.40

Given the uncertainty surrounding the materiality and timing of any new income stream from data monetisation, we have not incorporated it into our forecasts. Instead we have chosen to reduce our beta in our DCF calculation to take into account the short term upside from the AFL deal as well as the reduced risk of losing existing AFL revenue. While the materiality of the AFL deal is uncertain, this deal validates the defensiveness of CAT's offering and will showcase its benefits to other leagues which could lead to further deals of this nature. The reduction in our beta from 1.5 to 1.3 has reduced our WACC from 13.0% to 12.1% resulting in an increase to our valuation to \$2.40 (previously \$2.10). We retain our Speculative BUY rating.

Earnings Forecast

Jun Year end	2015	2016e	2017e	2018e
Sales (A\$m)	11.8	20.1	29.5	40.3
EBITDA (A\$m)	(2.5)	(3.5)	1.8	11.1
EBIT (A\$m)	(3.6)	(5.0)	(0.4)	7.9
NPAT (normalised) (A\$m)	(2.5)	(4.1)	(0.2)	5.6
EPS normalised (cps)	(2.0)	(3.3)	(0.2)	4.5
EPS normalised growth (%)	na	na	na	na
PER (on normalised EPS) (x)	na	na	na	40.7
EV/EBITDA (x)	na	na	na	19.4
Dividend (¢ps)	-	-	-	-
Yield (%)	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%
ROIC (%)	-47.8%	-55.4%	-4.3%	70.7%
ROE (%)	-18.3%	-32.5%	-1.4%	35.0%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Catapult Group Int'l (CAT)

Company Description

Catapult Group International (CAT) is Australia's leading sports data company with over 60 employees across Australia, USA and Europe. It provides elite sporting organisations, teams and athletes with detailed, real time data as well as the analytics to monitor and measure performance of elite athletes in a team or single environment. CAT's 700+ elite sports clients range from Real Madrid (La Liga) & Chelsea Football Club (EPL) to the Dallas Cowboys (NFL) and San Antonio Spurs (NBA). CAT's clients also include all AFL, NRL and Australian Super Rugby teams.

Investment view and valuation

CAT's business model is based on high margin, recurring subscription revenues, with low capex and a strong client retention record. We expect near-term growth to come from ramping up its sales force, increasing its revenue per client through product range growth and software packages, driving its subscription revenue and extending its global sales reach. CAT is well funded with enough capital to transition into profitability and fund its expansion plans. Our Valuation of \$2.40 is generated using a DCF. WACC 12.1% and terminal growth rate of 5%. We rate CAT a BUY (Speculative).

Key risks

Key downside risks include (but are not limited to):

- **Company's operations are in start-up phase and not currently earnings positive:** CAT is yet to make a profit from its operations and is not forecast to do so in FY15. There can be no assurance that CAT will not need additional capital in the future.
- **Increased competition:** The Company's existing, and potential competitors may include companies with substantially greater resources and access to more markets. Should its competitors develop a superior product, CAT's future business and financial position could be impacted.
- **Risk of technological redundancy:** CAT's technology is protected by patents, licencing and trade secrets, however these protective measures may not be sufficient to protect its competitive advantage. Should competitors commercialise products with superior technology, CAT's operations and financial performance may be impacted.
- **Acquisition integration:** Prior to IPO, CAT acquired an Australian competitor, GPSports. There are risks that this acquisition does not deliver the anticipated results. Problems such as staff retention, culture clash and higher integration costs may arise.
- **Foreign currency:** CAT operates internationally and in a number of currencies. Fluctuations in exchange rates might affect CAT's profitability and financial position. The main currencies that affect CAT are the USD, Euro and AUD. Any appreciation of the AUD against these major currencies could adversely impact profitability.
- **Recruitment and staff retention:** CAT's business model relies on its ability to attract and retain experienced staff to develop and market its products. A failure in this regard may impact the company's ability to carry out its business plan.
- **Planned expansion risks:** CAT has identified the US, Europe and Australia as its targeted geographic areas of expansion. While the company has generated revenues in all of these jurisdictions, there is no guarantee that the expansion will be successful.

Table 1 - Financial summary

Jun Year end	2014	2015	2016e	2017e	2018e
Profit & Loss (A\$m)					
Sales revenue	7.9	11.8	20.1	29.5	40.3
... Change		49.9%	70.9%	46.6%	36.5%
EBITDA	(0.9)	(2.5)	(3.5)	1.8	11.1
... Change	na	na	na	na	524.9%
Deprec. & amort.	(0.8)	(1.1)	(1.5)	(2.2)	(3.1)
EBIT	(1.6)	(3.6)	(5.0)	(0.4)	7.9
Net Interest	(0.2)	(0.3)	0.1	0.1	0.1
Pre-tax profit	(1.8)	(3.9)	(4.9)	(0.3)	8.1
Tax expense	0.1	1.4	0.7	0.1	(2.4)
... tax rate	4%	36%	15%	30%	30%
Associates	-	-	-	-	-
Minorities	-	-	-	-	-
Underlying Net Profit	(1.8)	(2.5)	(4.1)	(0.2)	5.6
... Change					
Abs. & extras.	0.4	(1.8)	-	-	-
Reported Profit	(1.4)	(4.3)	(4.1)	(0.2)	5.6
Cashflow (A\$m)					
EBITDA	(0.9)	(2.5)	(3.5)	1.8	11.1
Change in working capital and other	(0.5)	(1.9)	1.3	1.5	1.8
Gross operating cash flow	(1.4)	(4.5)	(2.2)	3.3	12.9
Net interest	(0.1)	(0.1)	0.1	0.1	0.1
Tax	(0.3)	-	0.7	0.1	(2.4)
Operating Cash Flow	(0.8)	(4.2)	(1.3)	3.5	10.6
Capex	(2.0)	(2.4)	(2.9)	(4.5)	(6.3)
Free Cash Flow	(2.7)	(6.6)	(4.2)	(1.0)	4.2
Acquisitions	-	(2.4)	-	-	-
Disposals	-	-	-	-	-
Dividends paid	-	-	-	-	-
Other investing items	-	-	-	-	-
Equity	4.7	11.3	5.7	-	-
Debt increase/(reduction)	2.0	2.4	1.5	(1.0)	4.2
Balance Sheet (A\$m)					
Cash	11.0	5.7	7.1	6.1	10.4
Receivables	1.7	4.5	6.4	8.9	12.1
Inventory	1.5	2.6	4.0	5.0	5.6
Other current assets	0.5	1.0	1.0	1.0	1.0
Current assets	14.7	13.7	18.6	21.0	29.1
Fixed assets	1.0	2.2	3.6	6.0	9.0
Goodwill	1.2	1.2	1.2	1.2	1.2
Intangibles	2.3	2.5	2.5	2.5	2.6
Deferred tax assets	0.9	2.0	2.0	2.0	2.0
Other non-curr assets	0.1	0.2	0.2	0.2	0.2
Non Current Assets	5.6	8.1	9.5	11.8	15.0
Total Assets	20.2	21.8	28.1	32.8	44.1
Short term debt	-	-	-	-	-
Creditors	1.4	1.5	3.0	4.4	6.0
Other curr liabilities	2.8	7.7	10.9	14.4	18.4
Current Liabilities	4.2	9.2	13.9	18.8	24.5
Long term debt	-	-	-	-	-
Other non-curr liabilities	0.7	0.7	0.7	0.7	0.7
Non Current Liabilities	0.7	0.7	0.7	0.7	0.7
Total Liabilities	4.9	9.9	14.6	19.5	25.2
Net Assets	15.3	11.9	13.5	13.3	18.9
Share capital	19.2	17.7	23.4	23.4	23.4
Reserves	(1.2)	(0.0)	(0.0)	(0.0)	(0.0)
Retained earnings	(2.8)	(5.8)	(9.9)	(10.1)	(4.5)
Shareholders Equity	15.3	11.9	13.5	13.3	18.9
Net debt/(cash) \$m	(11.0)	(5.7)	(7.1)	(6.1)	(10.4)

Price	\$1.82
Recommendation	Buy (Spec)
Diluted issued capital (m)	121.8
Market cap (\$m)	221.7
Target Price (A\$m)	\$2.40

Jun Year end	2014	2015	2016e	2017e	2018e
Valuation Ratios					
Underlying EPS (cps)	(1.4)	(2.0)	(3.3)	(0.2)	4.5
... % change	na	na	na	na	na
PE (on underlying EPS) (x)	na	na	na	na	40.7
EV/EBITDA (x)	na	na	na	na	19.4
EV/EBIT (x)	na	na	na	na	27.0
EV/Sales		18.2	10.7	7.3	5.3
NTA (\$ps)	0.10	0.07	0.08	0.08	0.12
P/NTA (x)	18.9	27.1	22.7	23.1	14.7
Book Value (\$ps)	0.13	0.10	0.11	0.11	0.16
Price/Book (x)	14.5	18.6	16.4	16.7	11.7
DPS (cps)	-	-	-	-	-
... % pay-out	0.0%	0.0%	0.0%	0.0%	0.0%
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%

Performance Ratios					
Revenue growth (%)		49.9%	70.9%	46.6%	36.5%
EBITDA growth (%)		182.8%	37.9%	-151.3%	524.9%
EBIT growth (%)		118.7%	38.2%	-91.6%	-1994.2%
EBITDA/sales margin (%)	-11.3%	-21.3%	-17.2%	6.0%	27.5%
EBIT/sales margin (%)	-20.9%	-30.6%	-24.7%	-1.4%	19.7%
Gross cash conversion (%)	160.3%	177.6%	62.3%	185.9%	116.3%
Free cash-flow yield (%)					
ROE (%)	-11.5%	-18.3%	-32.5%	-1.4%	35.0%
ROIC (%)	-26.8%	-47.8%	-55.4%	-4.3%	70.7%

Leverage Ratios					
Net interest cover (x)	(8.8)	(12.2)	43.8	2.9	(64.8)
Net Debt/EBITDA (x)	12.4	2.3	2.1	(3.5)	(0.9)
Net debt/equity (%)	-71.9%	-47.6%	-53.0%	-46.1%	-54.8%
Net debt/net debt + equity (%)	-255.8%	-90.9%	na	na	na

Assumptions	2014	2015	2016e	2017e	2018e
Total subscriptions (period end)	1,918	4,447	8,493	14,361	21,695
Total units in use at period end (BPe)	8,935	14,226	22,278	32,145	42,479
Capital unit sales	2,378	2,762	4,005	4,000	3,000
New Subscriptions	1,089	2,529	4,046	5,867	7,334
Total units sold this year	3,467	5,115	8,051	9,867	10,334
Total subscription revenue (\$m)	1.9	5.1	10.3	19.9	33.1
Capital sales revenue (\$m)	5.4	6.1	9.2	9.6	7.2
Other revenue (\$m)	0.6	0.6	0.6	0.0	0.0
Total revenue (\$m)	7.9	11.8	20.1	29.5	40.3

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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