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RESEARCH

Murray Cod Australia Limited

The Codfather

MCA's 2QFY21 release shows significant progress since the onset of COVID-19. Cash receipts have rebounded strongly, growing 95% (qoq). This illustrates that MCA has been able to shift its income streams away from exports and into fresh and live domestic sales. A strong spawning season and additional nursery capacity has already started to bolster MCA's fish stocks meaning it is well-resourced to capitalise on future demand when borders re-open and global sales recommence. Domestic retail and restaurant relationships continue to drive demand and offer compelling medium-term revenue (FY22-25 42% CAGR) and EPS growth (FY22-25 109% CAGR) with MCA's PE falling to ~8.0x by FY25. We retain our buy rating and increase our price target to $0.32 per share.

2QFY21 result

- The key takeaways from MCA's result were: 1) Cash receipts grew 119% on pcp, 2) Hatchery performance and forecasts exceeded expectations, 3) Lower average fish sold means faster turnover of inventory, and 4) MCA remains well capitalised with $3.6m of cash and $8.1m of headroom. We continue to hold the view that MCA should continue to invest into fish stocks due to its substantial ROI (>100% gross profit) and maintain a lean surplus cash position.

Changes to forecasts

- We have made substantial changes to our model off the back of the increased fish stocks, hatchery performance and reduced average weight of fish sold. This, combined with the new hires, has meant flat EBITDA in FY21 and increases to EBITDA of 4% and 2% in FY22 and FY23. See page 3 for further details.

Key risks

- Key risks for MCA include, but are not limited to 1) proving out new target markets to sell existing fish stocks, 2) capital needs as fish numbers expand, 3) fish survival, and 4) Impacts of COVID-19 and reliance on export sales.

Year-end June ($)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue ($m)	6.0	8.3	14.1	21.7	32.7
EBITDA ($m)	(0.7)	0.6	1.8	4.5	8.9
EBIT ($m)	(1.2)	(0.2)	0.5	3.1	7.3
Reported NPAT ($m)	(2.8)	0.1	0.1	1.7	4.7
Reported EPS (c)	(0.5)	0.0	0.0	0.3	0.7
Normalised NPAT ($m)	(0.9)	(0.5)	0.1	1.7	4.7
Normalised EPS (c)	(0.2)	(0.1)	0.0	0.3	0.7
EPS Growth (%)	-	-	-	1,516.1	171.3
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
Franking (%)	100	100	100	100	100
EV/EBITDA (X)	-	-	-	26.6	14.9
Normalised P/E (x)	-	-	-	73.0	26.9
Normalised ROE (%)	-	-	0.3	4.8	11.0

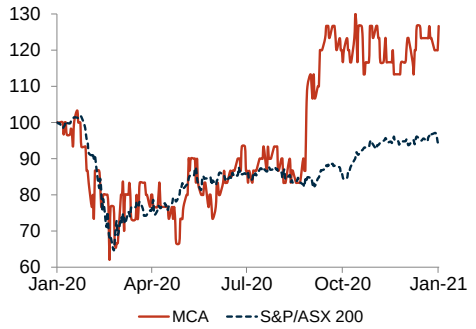
Source: OML, Iress, Murray Cod Australia Limited

Last Price
A$0.19
Target Price
A$0.32 *(Previously A$0.30)*
Recommendation
Buy
Risk
Higher

Agricultural Products

ASX Code	MCA
52 Week Range ($)	0.09 - 0.20
Market Cap ($m)	107.1
Shares Outstanding (m)	563.9
Av Daily Turnover ($m)	0.0
3 Month Total Return (%)	8.6
12 Month Total Return (%)	26.7
Benchmark 12 Month Return (%)	-6.0
NTA FY21E (¢ per share)	4.9
Net Debt FY21E ($m)	3.3

Relative Price Performance



Source: FactSet

Consensus Earnings

	FY21E	FY22E
NPAT (C) ($m)	-	-
NPAT (OM) ($m)	0.1	1.7
EPS (C) (c)	-	-
EPS (OM) (c)	0.0	0.3

Source: OML, Iress, Murray Cod Australia Limited

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Ord Minnett acted as lead manager to the placement in December 2019 and received fees for acting in this capacity

1 February 2021

2QFY21 result

- MCA has once again performed well against the backdrop of COVID-19.
- Cash receipts for the quarter saw substantial growth, up +119% on pcp. We note 1H cash receipts of $3.53m are in line with OMLe of $3.6m, with the 2QFY21 doing a large amount of the heavy lifting.
- The increase in cash expenses for the quarter was partially driven by a fire to the fish feed storage shed, of which MCA is targeting a recovery of ~$737k via insurance payments (expected in Mar-21 quarter).
    - This helps to offset the large net operating loss for the quarter to a much more reasonable ~$114k (excl. Jobkeeper).
    - Average fish sold size of 1.37kg reflects a reduction from 1.57kg at 30 September 2020 off the back of increased live fish sales.
- MCA has provided colour surrounding exports with only minimal shipments to the US. We anticipate these to resume in line with the easing of restrictions in Japanese, EU and UK markets.
- MCA's cash balance remains strong, with $3.6m of cash at quarter end and facility headroom of $8.1m.

Figure 1: Qtrly cash receipts and Operating expenses

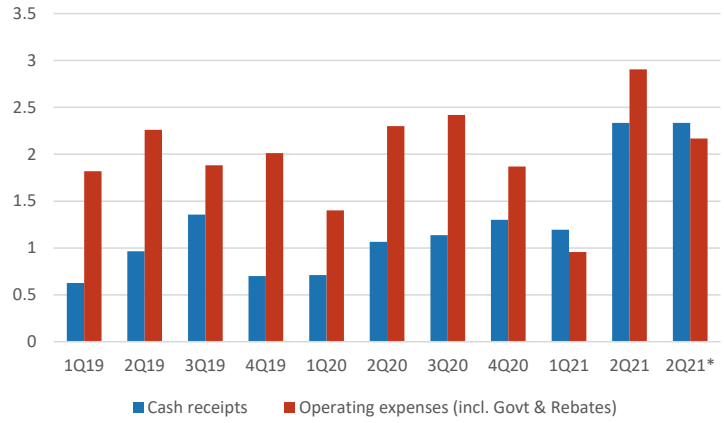
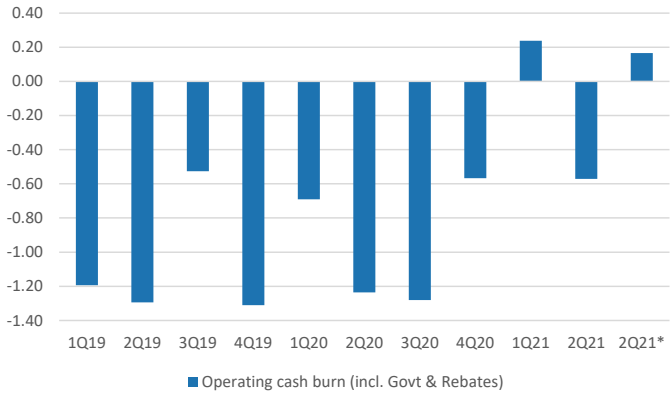


Figure 2: Qtrly operating net cash burn



*incorporates $737k insurance payout

Source: MCA, OML

Changes to forecast and valuation

The key driver of our forecast changes has been the increase in fish stocks attributable to the new hatchery and strong spawning season. We now forecast an additional 600k hatchlings for the FY21 (factoring in some mortalities). This results in additional net gain on FV in FY22 and FY23 due to increased fish stocks. We have also forecast higher restocking revenues which has meant slightly lower COGS in FY21 yet uplift in FY22 and FY23. We have also increased our overheads slightly to account for the additional sales staff and nursery team. The result of these changes is minimal movement in EBITDA due to the costs offsetting the initial revenue upgrade attained from higher fish stocks.

Figure 3: changes to forecasts

P&L	Old FY21e	New FY21e	% change	Old FY22e	New FY22e	% change	Old FY23e	New FY23e	% change
Revenue	**7.6**	**7.7**	0%	**12.1**	**12.4**	3%	**20.5**	**21.6**	5%
Net gain on FV of Bio Assets (income)	**6.4**	**6.5**	1%	**8.5**	**9.3**	9%	**9.9**	**11.1**	12%
Total income (excl. other)	**14.1**	**14.1**	0%	**20.6**	**21.7**	5%	**30.4**	**32.7**	8%
COGS	-6.3	-6.1	-4%	-9.7	-9.7	1%	-14.0	-15.1	8%
GP	**7.7**	**8.0**	**4%**	**11.0**	**11.9**	**9%**	**16.4**	**17.6**	**7%**
Share of associate NPAT	0.0	0.0	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.
Other income	0.0	0.0	7%	0.0	0.0	7%	0.0	0.0	-43%
Overheads (ex-D&A)	-5.9	-6.2	5%	-6.7	-7.5	12%	-7.8	-8.7	12%
EBITDA	**1.8**	**1.8**	**-1%**	**4.3**	**4.5**	**4%**	**8.7**	**8.9**	**2%**
D&A	-1.3	-1.3	0%	-1.4	-1.4	0%	-1.6	-1.6	0%
EBIT	**0.5**	**0.5**	**-3%**	**2.9**	**3.1**	**7%**	**7.1**	**7.3**	**3%**
Net interest	-0.4	-0.4	0%	-0.6	-0.6	0%	-0.7	-0.7	0%
PBT	**0.1**	**0.1**	**-11%**	**2.2**	**2.4**	**8%**	**6.4**	**6.6**	**3%**
Tax expense	0.0	0.0	-8%	-0.6	-0.7	8%	-1.8	-1.9	3%
Normalised NPAT	**0.1**	**0.1**	**-8%**	**1.6**	**1.7**	**8%**	**4.6**	**4.7**	**3%**
One-offs, FX	0.0	0.0	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.
Reported NPAT	**0.1**	**0.1**	**-8%**	**1.6**	**1.7**	**8%**	**4.6**	**4.7**	**3%**
Normalised EPS (diluted)	0.0	0.0	-8%	0.2	0.3	8%	0.7	0.7	3%
Reported EPS (diluted)	0.0	0.0	-8%	0.2	0.3	8%	0.7	0.7	3%
DPS	0.0	0.0	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.
Incremental GP margin	60.5%	67.7%	12%	72.8%	82.9%	14%	64.9%	61.2%	-6%
GP margin	**55.0%**	**56.8%**	3%	**53.2%**	**55.1%**	4%	**54.0%**	**53.7%**	-1%
Incremental EBITDA margin	33.0%	32.3%	-2%	55.8%	56.7%	2%	51.8%	47.5%	-8%
EBITDA margin	**24.1%**	**23.8%**	-1%	**35.8%**	**36.4%**	2%	**42.3%**	**41.1%**	-3%

Source: OMLe

Valuation

We value MCA via a **Discounted cash flow (DCF).** The long-dated nature captures MCA's growth while also considering the working capital build.

The result is a price target of $0.32 per share which would see MCA on an FY25 PE of 8.0x. We risk weight our $0.34 DCF by 15% until we gain more clarity on the revenue profile of the business and its ability to sell existing and growing fish stocks. As these risks subside, we expect to be winding this discount factor back.

Figure 4 – Price target

Price target derivation	
DCF valuation ($ ps)	0.34
Risk discount	15%
Adj. DCF valuation ($ ps)	**0.29**
Cost of equity (%)	11.7%
Rolled-forward valuations ($ ps)	**0.32**
Less dividend ($ ps)	0.00
One-year forward price target ($ ps)	**0.32**

Source: OML

DCF valuation

Our DCF valuation is based on financial forecasts going out to FY28, incorporating the following broad drivers:

- Organic growth in fish consumption in a large global market and MCA's unique position within it.
- The compelling return on invested capital.

Given the long-term nature of the growth in MCA, we consider the DCF a suitable way to capture the working capital investments that fuel future growth.

Figure 5 – DCF inputs and outputs

DCF inputs	
Beta	1.40
Risk free rate	3.3%
Market risk premium	6.0%
Cost of equity	11.7%
Debt premium	4.0%
Cost of debt (after tax)	5.1%
D/E	10.0%
WACC	**11.0%**
Terminal growth rate	**4.0%**

DCF outputs	
Forecast cash flows ($m)	18
Terminal value ($m)	210
Franking value	0
Enterprise value ($m)	**228**
Add net cash (FY21e) ($m)	3
Equity value ($m)	**225**
Implied equity value (p.s.)	0.33
Implied multiples (x)	
FY23 EV/EBITDA	25.7
FY23 PE	**47.4**

Source: OML

Reiterating the MCA story

About Murray Cod Australia

Murray Cod Australia (MCA) was conceived through the consolidation of three aquaculture companies in early 2017. Bidgee Fresh Pty Ltd, Riverina Aquaculture and Silverwater Native Fish were brought together to achieve the purpose of creating a revolutionary aquaculture business that would farm and cultivate the indigenous species of Murray Cod as a food source.

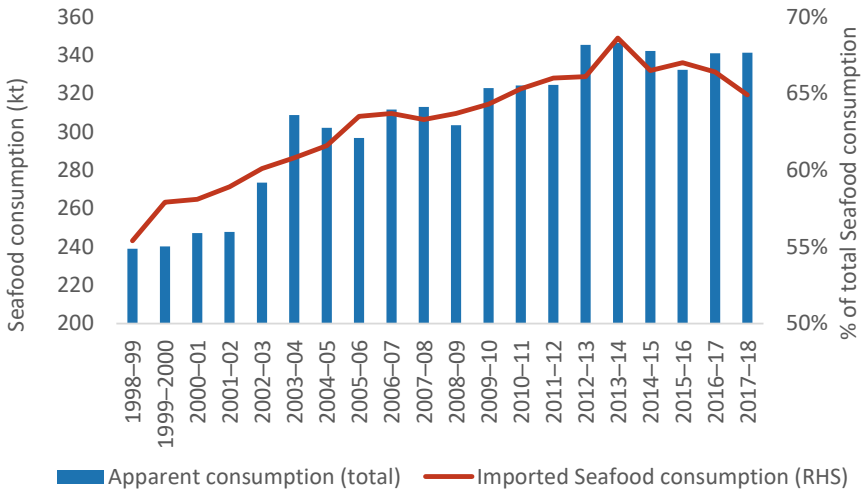
As it stands today, MCA's core operations are based in the NSW Riverina region, an area famous for local produce, and sells its products across the world. It sells its Murray Cod under the AQUNA brand – derived from the word "Akuna" (which means flowing water in an Indigenous Australian language). MCA's product is differentiated from its competitors through its sustainable land-based aquaculture practises that lead to a clean, white and fatty flesh that has a mild taste.

Key driver 1 – Untapped large addressable market – Domestic and global

Domestic opportunity

Australians consume a large amount of seafood products each year. The Australian market saw both domestic product and imports totalling 341,272 tonnes in 2017-18. This amount is significant considering consumption has grown steadily at a CAGR of ~2%. In addition, the amount of imported fish has also steadily increased over the last twenty years.

Figure 6: Australian Seafood consumption over time



Source: Agriculture.gov.au

MCA is in a unique position in that it has low market penetration relative to total seafood consumption in Australia. In FY19, MCA sold ~110 tonnes of Murray Cod. Utilising the 2017-18 data, this would have represented only 0.03% of seafood consumption in Australia. Utilising our forecast FY28 tonnes of fish sold, this only represents ~1.5% of all seafood consumed in 2017/18 in Australia (by weight).

The factors we anticipate will lead to an increase in consumption of Aquna Murray Cod are as follows:

- it is an Australian born and raised product competing with less-desirable imported fish.
- It is an environmentally sustainable aquaculture product that does not deplete wild stocks.
- It is exposed to a growing market with fish consumption on the rise in Australia due, in part, to the health benefits associated with eating fish.

We have conducted sensitivity analysis over total fish sold to highlight the upside from this opportunity. We see substantial increases to profit before tax (PBT) from very minor incremental increases in market share. It also bears importance to note that fish consumption is growing organically. If MCA can get to an equivalent of 2% of all Seafood consumed in Australia in FY18 by FY23, it would equate to $26m of PBT and represents an implied multiple of 2.8x PBT.

Figure 7: Sensitivity analysis on FY23

Sensitivity - fish sold (excl. gain on sale)	OMLe (0.32%)	1.00%	1.50%	2.00%
Tonnes sold	1,082.3	3,412.7	5,119.1	6,825.4
Fresh price per kilo (FY23 OMLe)	18.0	18.0	18.0	18.0
Revenue	19.5	61.4	92.1	122.9
FY23 PBT margin	21.2%	21.2%	21.2%	21.2%
FY23 fish sold incremental PBT	**4.1**	**13.0**	**19.5**	**26.0**

Source: ABARES, OMLe *excl. equipment sales and fish sold to govt/contractors

Global opportunity

Whilst the Australian market is the closest logical opportunity for MCA, global markets represent a valuable opportunity too. In a similar vein to the domestic opportunity, MCA's output is extremely insignificant in comparison to total global Seafood consumption. The Food and Agriculture Organization of the United Nations estimates seafood consumption of ~157m tonnes of seafood p.a.[1]. For context, consider OMLe's FY23 tonnes of fish sold balance equates to 0.001% of total global estimated seafood consumption in 2018 (ex-Australia).

As the population grows, fish consumption will increase with it. The finite nature of fish at any point in time and the time it takes to reproduce illustrates the need for aquaculture in order to meet these levels of consumption.

Key driver 2 – Premium and ecologically sustainable product

The Murray Cod has long been considered a premium table fish. In the late 19th and early 20th centuries it was hauled to Australian capital cities for consumption in vast quantities. However, due to overfishing and other factors, the Murray Cod's viability as a commercial table-fish slowly dwindled to a point where it had largely disappeared from the Australian consciousness.

This worrying trend has slowly been reversing in recent years off the back of continued efforts by MCA. This has been achieved by building consumer awareness of the high quality of product that is environmentally sustainable. Rather than marketing to consumers directly, MCA have leveraged high profile chefs to illustrate the premium quality of the fish. No chef appreciates this as much as Heston Blumenthal – global celebrity chef with a three Michelin star restaurant. In 2019, Blumenthal's The Fat Duck group signed a five-year agreement with MCA in which Blumenthal would act as a key advocate. It was also announced that he would undertake partial ownership in the company via the issue of 1.5m shares. Blumenthal states that he was attracted to the opportunity due to the "innovative way they have created a luxury fish product… resulting in fantastic quality".

MCA's product has also made appearances on MasterChef Australia. Gordon Ramsay recently developed a dish centred around Aquna Murray Cod. It continues to reaffirm the view that Chefs like the premium quality, ecological sustainability and versatility of this fish.

[1] http://www.fao.org/state-of-fisheries-aquaculture

Figure 8: Aquna Murray Cod by Gordon Ramsay

Potato Crusted Murray Cod with Spring Vegetable Minestrone, Macadamia Puree and Clam Jus

Recipe by **Gordon Ramsay**

Source: Network Ten

MCA's sustainable approach is inherently built into the entire lifecycle of the fish. As an aquaculture product, Murray Cod is surprisingly water efficient. The pond-water is recycled and re-utilised for local area crop irrigation. This presents a positive view and highlights the attractiveness of the AQUNA Murray Cod. See the below figure for a comparison of water usage and crops/livestock:

Figure 9: Water footprint by crop/livestock

Crops/livestock	Est. water usage (L) per kg
AQUNA Murray Cod (FY20)	**120**
Beef	15,300
Almonds	10,240
Cotton	9,980
Pork	5,988
Chicken	3,900
Rice	2,497
Cabbage	237

Source: The guardian, Institution of Mechanical Engineers, Science direct, Hoekstra Water footprint, MCA

Key driver 3 – Consistency of supply

Consistency of supply is a strong attraction for counterparties. When compared to traditional aquaculture producers, MCA does not suffer from the common risks as MCA raises its fish in ponds, rather than the ocean. This therefore limits the risk of seals, sharks, broken nets and inclement weather. Unlike other aquaculture companies, MCA does not require access to boats. Its simple harvesting approach, involving platforms over the ponds, means staff can easily harvest fish as per needed. Premium wild catch also suffers from similar supply issues to other aquaculture providers in addition to relying upon commercial fishermen successfully landing a catch.

Therefore, once fish are mature, the path to market is relatively undemanding. This benefits restaurants as it enables MCA to provide consistent supply assisting chefs to plan menus. This helps to provide a competitive advantage against other premium fish and helps to illustrates how MCA can charge a premium.

Figure 10: Comparison of fish species and price

AQUNA Murray Cod (white flesh)	Barramundi (white flesh)	Salmon (pink flesh)
Wholesale price $23-25/kg	Wholesale price $8-10/kg	Wholesale price $12-14/kg

Source: MCA FY19 investor presentation

MCA's large fish stockpiles and low risk of non-supply enables MCA the potential ability to supply large retailers or food service companies. Opportunities could include Coles, Woolworths or meal plan delivery suppliers (e.g. Marley Spoon) as MCA can consistently distribute large volumes of fish. This strategy, whilst attractive, will likely lead to some erosion of gross margin as large retailers seek discounted prices to stock the fish. MCA will need to manage this in order to ensure its premium product perception is maintained.

Key driver 4 – Unique position with Murray Cod

MCA is strategically placed to own the Murray Cod market. Its recent acquisition of an established Murray Cod hatchery helps it to build its Murray Cod fingerling production capacity by 2.5x. It further cements MCA's position as a market leader by limiting hatchling supply to competitors. The only other remaining hatchery with any meaningful scale is the Uarah Fisheries operation. Whilst It does have a reasonable fish stock, the majority of these are juveniles and sold for wild fish restocking and recreational fishing dams. This is significant as Murray Cod are unable to be fished commercially meaning other aquaculture companies will find it difficult to get material supply of hatchlings.

Full-scale table fish Murray Cod aquaculture producers have been impacted to varying degrees by the COVID-19 pandemic. The impacts have predominantly been related to loss of sales derived from restaurants and difficulty exporting fish. MCA has been able to partially mitigate the impacts of this by offsetting restaurant sales with retail fish store sales. However, other aquaculture farms have not been so fortunate, with one of MCA's core competitors, Marianvale Blue, ceasing operations. MCA was initially impacted by this as Marianvale Blue did saturate the market with smaller and lower cost fish as it aimed to sell as much as possible. However, from a long-term strategic perspective, this was the only major competitor for MCA and means it holds a strong position over Murray Cod.

Key driver 5 – Compelling return on invested capital

Aside from the enticing attributes of AQUNA Murray Cod as a table fish, farmed AQUNA Murray Cod also represents quite a compelling investment opportunity due to the significant cash gross margin of ~53% and return on invested capital of 109%. This means that for every $1 invested in growing an AQUNA Murray Cod would achieve a return of $1.09 in 1.5-2 years.

Figure 11 – ROIC breakdown

1k tonne of fish sold	($m)
Cash costs to grow	-7.7
Processing	-1.5
Total costs over fish life	**-9.2**
Revenue	**19.2**
GP	10.0
ROIC	**109%**

Source: MCA, OMLe

Key risks

Reduced demand for Murray Cod

The relatively low understanding and market presence of Aquna Murray Cod as a fresh-water table fish means that there is risk that enough product will not be sold as fish mature. Combining this with MCA's significant fish stock numbers, there is a risk that demand will not meet expectations. This could also lead to an increase in fish-feeding costs as fish are held in ponds for longer periods leading to gross margin and profit compression. MCA aim to combat this by leveraging overseas markets, Australian retail market and restaurants. It is also able to smoke product to extend the shelf life of the fish.

Food safety and sanitation

MCA inherently face this risk through its business model of growing and selling fish. It must ensure a high level of sanitisation and hygiene practises. This includes throughout the entire sales cycle of the fish. If this is not correctly managed it could lead to reputational damage or legal damages.

Environmental regulations and licences

MCA are currently a beneficiary of laws that restrict commercial fishing of wild Murray Cod. These laws, in effect, restrict the sale of Murray Cod to MCA and competitors' farmed product. If these restrictions should change, MCA's market could be flooded with lower cost wild product. In addition, MCA operates farms leveraging water licences and other fish farming licences. There is inherent risk that these could be impacted should the government adjust its approach. However, given MCA's environmental and sustainable approach, this is unlikely.

Fish survival

MCA's fish survival rates are most at risk through three areas: disease, carnivorous nature of the fish and technology required to ensure oxygenation.

MCA must continue to balance fish growth, in both numbers and size, with ensuring the fish are healthy and do not suffer from disease. This is quite a difficult risk to manage due to the significant volumes of fish in the ponds and the nature of raising fish. MCA aim to mitigate this risk by segregating fish into different ponds. This means that should a disease infect fish in a specific pond, it limits overall exposure.

The remaining areas of risk that impact fish survival are both the carnivorous nature of Murray Cod and the technology required to aerate the water to ensure sufficient oxygen levels. MCA manages this risk by utilising multiple ponds and ensuring fish sizes are similar in each pond. This effectively helps to mitigate the risk of larger fish eating smaller fish.

Cash burn, working capital build and potential raise

MCA, whilst listed since early 2017, is still relatively early stage when considering the total opportunity. This means that MCA is still building its fish stocks, investing in a hatchery and expanding its ponds. This means that as it currently stands, MCA has a negative cash-burn. This also means that MCA could require further capital raisings to expand on the current opportunity.

Over-reliance on a single revenue stream

MCA's fish product is well suited to high-end restaurants as a premium product. As such, it means that a significant portion of sales were historically derived from the restaurant industry. This was particularly prevalent during COVID-19 lockdowns when restaurants and venues were forced to close. MCA was forced to diversify its revenue stream into retail sales and live fish transports to sell its product. Arguably, it is extenuating circumstances however, it does highlight the need to identify new sales avenues. MCA has aimed to increase its retail distribution in order to combat this.

Murray Cod Australia Limited

Buy

PROFIT & LOSS (A$m)	2019A	2020A	2021E	2022E	2023E
Revenue	6.0	8.3	14.1	21.7	32.7
Operating costs	(4.0)	(5.0)	(6.2)	(7.5)	(8.7)
Operating EBITDA	**(0.7)**	**0.6**	**1.8**	**4.5**	**8.9**
D&A	(0.5)	(0.8)	(1.3)	(1.4)	(1.6)
EBIT	**(1.2)**	**(0.2)**	**0.5**	**3.1**	**7.3**
Net interest	(0.1)	(0.1)	(0.4)	(0.6)	(0.6)
Pre-tax profit	**(1.3)**	**(0.3)**	**0.2**	**2.4**	**6.6**
Net tax (expense) / benefit	0.4	(0.2)	(0.0)	(0.7)	(1.9)
Significant items/Adj.	(1.8)	0.6	-	-	-
Normalised NPAT	**(0.9)**	**(0.5)**	**0.1**	**1.7**	**4.7**
Reported NPAT	**(2.8)**	**0.1**	**0.1**	**1.7**	**4.7**
Normalised dil. EPS (cps)	(0.2)	(0.1)	0.0	0.3	0.7
Reported EPS (cps)	(0.5)	0.0	0.0	0.3	0.7
Effective tax rate (%)	27.2	(72.3)	28.5	28.5	28.5
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Franking (%)	100.0	100.0	100.0	100.0	100.0
Diluted # of shares (m)	533.5	620.1	671.6	671.6	671.6

CASH FLOW (A$m)	2019A	2020A	2021E	2022E	2023E
EBITDA incl. adjustments	(0.7)	0.6	1.8	4.5	8.9
Change in working capital	(3.1)	(4.8)	(7.5)	(8.1)	(5.8)
Net Interest (paid)/received	0.0	0.0	(0.4)	(0.6)	(0.6)
Income tax paid	-	-	(0.0)	(0.7)	(1.9)
Other operating items	-	-	-	-	-
Operating Cash Flow	**(3.8)**	**(4.2)**	**(6.1)**	**(4.9)**	**0.6**
Capex	(1.6)	(3.4)	(2.0)	(2.5)	(2.8)
Acquisitions	-	(2.5)	-	-	-
Other investing items	(0.0)	(3.7)	-	-	-
Investing Cash Flow	**(1.6)**	**(9.7)**	**(2.0)**	**(2.5)**	**(2.8)**
Inc/(Dec) in borrowings	1.2	0.0	5.0	-	-
Dividends paid	-	-	-	-	-
Other financing items	(0.2)	(0.1)	-	-	-
Financing Cash Flow	**6.3**	**14.5**	**5.1**	**7.0**	**0.0**
Net Inc/(Dec) in Cash	0.9	3.1	(3.0)	(0.5)	(2.2)

BALANCE SHEET (A$m)	2019A	2020A	2021E	2022E	2023E
Cash	3.0	6.1	3.0	2.5	0.4
Receivables	0.4	0.9	2.8	4.3	5.6
Inventory	7.4	12.5	18.3	25.3	30.3
Other current assets	0.3	0.3	0.3	0.3	0.3
PP & E	6.4	9.8	10.5	11.6	12.7
Intangibles	1.3	4.6	4.6	4.6	4.6
Other non-current assets	0.7	0.6	0.6	0.6	0.6
Total Assets	**19.4**	**34.8**	**40.2**	**49.2**	**54.4**
Short term debt	0.2	0.3	0.3	0.3	0.3
Payables	1.1	0.7	0.9	1.3	1.7
Other current liabilities	0.1	0.2	0.2	0.2	0.2
Long term debt	1.1	1.0	6.0	6.0	6.0
Other non-current liabilities	0.3	0.5	0.5	0.5	0.5
Total Liabilities	**2.8**	**2.7**	**7.9**	**8.3**	**8.7**
Total Equity	**16.6**	**32.0**	**32.1**	**40.8**	**45.6**
Net debt (cash)	(1.7)	(4.8)	3.3	3.8	5.9

DIVISIONS	2019A	2020A	2021E	2022E	2023E

KEY METRICS (%)	2019A	2020A	2021E	2022E	2023E
Revenue growth	220.0	37.9	69.3	53.5	50.8
EBITDA growth	-	-	212.6	147.4	96.3
EBIT growth	-	-	-	502.1	137.1
Normalised EPS growth	-	-	-	1,516.1	171.3
EBITDA margin	-	7.0	12.9	20.8	27.1
OCF /EBITDA	543.3	-	-	-	34.8
EBIT margin	-	-	3.6	14.2	22.3
Return on assets	-	-	1.0	4.9	10.0
Return on equity	-	-	0.3	4.8	11.0

VALUATION RATIOS (x)	2019A	2020A	2021E	2022E	2023E
Reported P/E	-	1,919.2	1,180.1	73.0	26.9
Normalised P/E	-	-	-	73.0	26.9
Price To Free Cash Flow	-	-	-	-	-
Price To NTA	5.1	3.6	3.9	3.2	3.1
EV / EBITDA	-	-	-	26.6	14.9
EV / EBIT	-	-	216.7	39.2	18.1

LEVERAGE	2019A	2020A	2021E	2022E	2023E
ND / (ND + Equity) (%)	(11.2)	(17.5)	9.3	8.5	11.5
Net Debt / EBITDA (%)	241.0	(813.8)	180.3	83.8	67.0
EBIT Interest Cover (x)	-	-	1.4	4.9	11.2
EBITDA Interest Cover (x)	-	5.9	5.1	7.2	13.7

SUBSTANTIAL HOLDERS	m	%
M & B Ryan PTY Ltd	66.1	11.7%
JP Morgan Nominees	64.0	11.3%
HSBC Custody Nominees	36.1	6.4%

VALUATION	
Cost of Equity (%)	11.7
Cost of debt (after tax) (%)	7.3
D / EV (%)	10.0
WACC (%)	**11.0**
Forecast cash flow ($m)	18.4
Terminal value ($m)	209.7
Franking credit value ($m)	-
Enterprise Value ($m)	224.9
Less net debt / add net cash & investments ($m)	3.3
Equity NPV ($m)	**228.1**
Equity NPV Per Share ($)	**0.34**
Target Price Method	DCF
Target Price ($)	0.32
Valuation disc. / (prem.) to share price (%)	67.4

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Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historic volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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