



## Invigor Group Ltd (IVO.ASX)

*An intelligent provider of retail, mobile, & WiFi analytics.*

### Event:

- We initiate coverage on Invigor Group Ltd (IVO).

### Investment Highlights:

- IVO is a data and analytics technology company providing software platform products for retailers, brands, consumers, telcos, and government.** The company has three key products, all of which have recently been launched – Insights Retail, Shopping Ninja, and Insights Visitor.
- Insights Retail is an analytics platform for brands and retailers, providing real-time analysis** of competitor products including price changes in the market. It currently covers the consumer electronics, whitegoods, and alcohol verticals. IVO has signed five customers to date, with revenues generated on a monthly subscription basis.
- Shopping Ninja is IVO's consumer product, a downloadable plug-in that works non-intrusively** in providing consumers with alerts to the lowest available prices for products as they shop online. Unlike shopping comparison websites or other plug-ins, Shopping Ninja is unbiased and comprehensive, showing all available online retailers regardless of whether affiliated or not. Shopping Ninja generates revenues by commission based on a click-per-sale basis.
- Insights Visitor is a WiFi mobile analytics platform that can be deployed at WiFi hotspots** such as shopping centres and public facilities. Visitor extracts data from WiFi users anonymously, not requiring disclosure of personal information. First deployment has been signed with Sunshine Coast Council.
- We believe IVO's strengths relative to competitors are the synergies between the three products**, providing a wealth of market intelligence on businesses' products, consumers, and competitors. Industry fundamentals are positive for IVO, with strong growth in WiFi use and in data and analytics expenditure.
- IVO recently appointed Gary Munitz as Managing Director, who is highly credentialed** having been involved in the successful commercialisation of the online retail businesses Menulog and Get Price.

### Earnings and Valuation:

- We forecast sales and underlying NPAT of \$6.1M and -\$0.1M in FY15, and \$15.6M and -\$0.1M in FY16.** We expect sales to be driven by increased revenue from all three products. Our FY15 sales forecast is in-line with company guidance of \$6-\$7M.
- We value IVO at \$0.23/share using a blend of DCF and EV/Sales multiple.** Our assumptions include Shopping Ninja achieving 5% penetration of the Australian population; Insights Retail 9% share of its verticals markets; and Insights Visitor 2% of commercial WiFi hotspots. We assume no advertising revenue or new geographic markets, which could add major upside to earnings and valuation.

### Recommendation:

- We initiate with a Buy recommendation and 12-month price target of \$0.23/share**, based on our valuation. Catalysts include further signing of customers for Insights Retail and Insights Visitor; Expansion into other verticals; Evidence of success of Shopping Ninja in generating revenues; Expansion into markets outside of Australia; Advertising revenue streams.

<b>Recommendation</b>	Buy
Previous	n/a
Risk	High
<b>Price Target</b>	<b>\$0.23</b>
Previous	n/a
<b>Share Price (A\$)</b>	<b>\$ 0.090</b>
ASX Code	IVO
52 week low - high (A\$)	0.04-0.12
<b>Capital structure</b>	
Shares on Issue (M)	228
<b>Market Cap (A\$M)</b>	<b>21</b>
Net Debt/(Cash) (A\$M)*	6
<b>EV (A\$M)</b>	<b>27</b>
Options on issue (M)	67
<b>Fully diluted mkt cap (A\$M)</b>	<b>27</b>
12mth Av Daily Volume ('000)	83

\*Includes convertible notes treated as debt

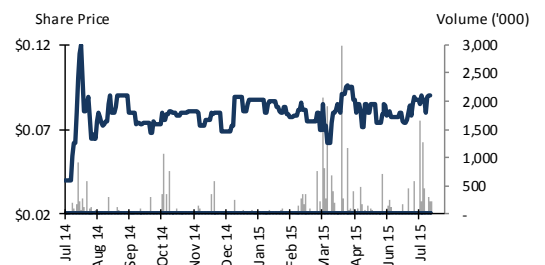
Y/e Dec	2014a	2015e	2016e	2017e
Sales \$M	0.9	6.1	15.6	31.0
EBITDA \$M	-3.1	0.2	1.0	5.4
<b>Adj. NPAT \$M*</b>	<b>-4.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>3.8</b>
<b>Adj. EPS c*</b>	<b>-2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>1.2</b>
<b>PER x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>7.5</b>
EV/EBITDA x	nm	111.8	20.8	3.5

\*Adj. = normalised FSB estimate

Board	
Gary Cohen	Executive Chairman
Gary Munitz	Managing Director
Gregory Cohen	Executive Director
John Hayson	Non-Executive Director
Vic Lorusso	Non-Executive Director
Paul Salter	Non-Executive Director

Major Shareholders	
RJL Investments (Gary & Greg Cohen)	16.9%
H Investments (John Hayson)	12.5%

### Share Price Graph



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**Foster Stockbroking is engaged in providing corporate services to IVO for which it has earned fees and continues to do so. Services include, but are not limited to, capital markets advisory, institutional research, and marketing roadshows.**



## Invigor Group Ltd (IVO)

Full Year Ended 31 December

Profit and Loss A\$M	2014a	2015e	2016e	2017e
Sales revenue	0.9	6.1	15.6	31.0
Other revenue	0.0	0.0	0.0	0.0
Operating Costs	4.0	5.9	14.6	25.6
<b>EBITDA</b>	<b>-3.1</b>	<b>0.2</b>	<b>1.0</b>	<b>5.4</b>
D&A	0.7	0.2	0.5	1.0
<b>EBIT</b>	<b>-3.6</b>	<b>0.0</b>	<b>0.5</b>	<b>4.4</b>
Net Interest exp / (income)	0.4	0.3	0.5	0.3
<b>Profit before tax</b>	<b>-4.0</b>	<b>-0.3</b>	<b>-0.1</b>	<b>4.0</b>
Tax exp / (benefit)	0.0	-0.2	0.0	0.2
<b>NPAT before minorities</b>	<b>-4.0</b>	<b>-0.1</b>	<b>-0.1</b>	<b>3.8</b>
Minority interest	0.0	0.0	0.0	0.0
<b>Reported NPAT</b>	<b>-4.0</b>	<b>-0.1</b>	<b>-0.1</b>	<b>3.8</b>
Non-recurring items	-0.2	0.0	0.0	0.0
<b>Underlying NPAT</b>	<b>-4.1</b>	<b>-0.1</b>	<b>-0.1</b>	<b>3.8</b>
<b>EPS diluted (c)</b>	<b>-2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>1.2</b>

Cashflow A\$M	2014a	2015e	2016e	2017e
EBITDA	-3.1	0.2	1.0	5.4
Change in WC	4.2	0.0	0.0	0.0
Tax paid	0.0	0.2	0.0	-0.2
Other	9.4	-1.8	0.0	0.0
Net interest	0.5	-0.3	-0.5	-0.3
<b>Operating Cashflow</b>	<b>11.0</b>	<b>-1.7</b>	<b>0.5</b>	<b>4.8</b>
Purchase of PP&E	-0.6	-0.2	-1.0	-1.7
Other	-1.0	0.0	0.0	0.0
<b>Investing Cashflow</b>	<b>-1.6</b>	<b>-0.2</b>	<b>-1.0</b>	<b>-1.7</b>
Debt proceeds (repayments)	0.0	4.0	-2.5	0.0
Equity proceeds	0.5	0.0	0.0	0.0
<b>Financing Cashflow</b>	<b>0.5</b>	<b>4.0</b>	<b>-2.5</b>	<b>0.0</b>
<b>Net Cashflow</b>	<b>9.9</b>	<b>2.1</b>	<b>-3.1</b>	<b>3.2</b>

Balance Sheet A\$M	2014a	2015e	2016e	2017e
Cash	1.1	3.2	0.2	3.3
Receivables	2.7	8.7	11.2	11.1
PPE	0.2	0.2	0.7	1.4
Intangibles	6.0	6.0	6.0	6.0
Deferred tax	0.0	1.0	0.0	0.0
Other	0.5	1.6	2.1	4.1
<b>Total Assets</b>	<b>10.5</b>	<b>20.7</b>	<b>20.1</b>	<b>25.9</b>
Accounts payable	2.8	2.3	5.6	9.8
Debt	2.3	6.3	3.8	3.8
Provisions	0.4	0.3	0.8	1.4
Other	0.0	7.0	5.1	2.3
<b>Total Liabilities</b>	<b>5.5</b>	<b>15.9</b>	<b>15.3</b>	<b>17.2</b>
Reserves and capital	128.6	128.6	128.6	128.6
Retained earnings	-123.6	-123.7	-123.8	-120.0
<b>Total Equity</b>	<b>5.0</b>	<b>4.9</b>	<b>4.8</b>	<b>8.6</b>

Source: Company; Foster Stockbroking estimates

Financial Metrics	2014a	2015e	2016e	2017e
Sales growth %	nm	nm	157%	99%
EPS growth %	nm	nm	nm	nm
EBITDA margin	nm	3%	6%	17%
EBIT margin	nm	0%	3%	14%
Gearing (ND/ND+E)	19%	39%	43%	5%
Interest Cover (EBIT/net int)	nm	nm	0.9x	12.9x
Average ROE %	-176%	-2%	-1%	57%
Average ROA %	-51%	0%	2%	19%
Wtd ave shares (M)	137	228	248	268
Wtd ave share diluted (M)	192	289	311	331

Sales and earnings multiples	2014a	2015e	2016e	2017e
P/E x	nm	nm	nm	7.7
EV/EBITDA x	nm	111.8	20.8	3.7
EV/EBIT x	nm	nm	44.4	4.6
EV/sales x	23.0	3.3	1.3	0.6
Dividend yield %	0	0	0	0

IVO Valuation	A\$M	A\$/share
<b>DCF 10% WACC, 3% terminal growth:</b>		
Enterprise value	96.5	0.33
Net cash(debt)	-5.8	-0.02
<b>Equity value</b>	<b>90.7</b>	<b>0.31</b>
<b>EV/Sales 4.3x forward 12mths sales:</b>		
Enterprise value	46.6	0.16
Net cash(debt)	-5.8	-0.02
<b>Equity value</b>	<b>40.8</b>	<b>0.14</b>
<b>Blended Valuation (50:50 DCF:EV/Sales)</b>	<b>65.7</b>	<b>0.23</b>

Divisional analysis (A\$M)	2014a	2015e	2016e	2017e
ShoppinNinja	0.0	0.8	10.9	24.7
Insight retail	0.0	0.1	0.9	1.8
Visitor analytics	0.0	0.2	0.5	1.1
IT Consulting	0.9	5.0	3.3	3.4
<b>Group Sales Revenue</b>	<b>0.9</b>	<b>6.1</b>	<b>15.6</b>	<b>31.0</b>
Shopping Ninja	0.0	0.6	3.5	7.9
Insights Retail	0.0	0.1	0.3	0.6
Insights Visitor	0.0	0.1	0.2	0.3
IT Consulting	-0.3	2.2	0.5	0.5
Corporate	-3.3	-3.1	-4.0	-5.0
<b>Group EBIT</b>	<b>-3.6</b>	<b>0.0</b>	<b>0.5</b>	<b>4.4</b>

Shares on issue	M
Ordinary shares	227.8
Options	62.7
Fully Diluted	290.5

Substantial shareholders	Interest
RJL & Gregkar (Gary & Greg Cohen)	16.9%
H Investments Pty Ltd (John Hayson)	12.5%