

17 October 2022

Harvest Technology Group Ltd

Trading update – on track

Harvest Technology Group Limited (ASX:HTG) licenses its proprietary video compression and encryption technology for low-bandwidth, high-latency applications needing secure real-time streaming video and audio communication. The company delivers products and solutions for video, audio and data transfer from anywhere, via satellite or terrestrial networks, regardless of congestion or quality. HTG's products and solutions enable real-time monitoring of remote locations, real-time feedback for field technicians, and secure video and audio conferencing. Despite an uncertain economic outlook globally, Harvest is confident that a pipeline of new customers and growth in existing relationships leaves the group well positioned for FY23. The latest trading update shows Monthly Recurring Revenue (MRR) growth on track relative to management expectations.

Business model

HTG offers products and solutions which enable real-time monitoring of remote locations, real-time feedback for field technicians, and secure video conferencing. HTG has two trademarked product platforms, Infinity Nodestream and Remote Inspection System (RiS). The company is on the verge of large-scale roll-out of the Infinity Nodestream secure video transmission product suite through reseller agreements with the major maritime satellite communications operators. It has also launched its own Remote Inspection System (RiS) and a US business focused on enabling remote field technician support via real-time video over low-bandwidth networks and satellite. HTG licenses its hardware and software solutions to customers. The company has a Perth headquarters and has expanded over the past 12 months, establishing sales offices in the US and UK/EMEA regions. HTG is currently focused on converting reseller agreements with Speedcast and Marlink and partner leads with Inmarsat, the world's largest maritime satellite service providers, into actual licensed customers with a target of 1,000 licences by end-CY22.

September MRR delivered

Harvest's trading update confirms September MRR of \$346k, at the bottom end of the expected range of \$340-\$380k, 34.5% higher than in June. Actual quarterly revenue was reported at \$887k - a record quarterly revenue from customers. Harvest will move to report quarterly revenue in future updates based on accounting standards rather than MRR as revenue sources diversify away from licence subscriptions. Management note that sales momentum continues to build, and revenue is supported by recurring work from existing customers including contracts announced with an EU defence force, initial work for ship operator Vallianz Holdings and remote monitoring for Beach Energy. A new contract with International Rescue was announced after quarter end. Additional information will be released with the full quarterly result.

Valuation base-case at \$165m or \$0.28/share

No change to our valuation - which is based on a DCF using a Beta of 1.47 and risk-free rate of 3.5%. We have modelled three cases differentiated by customer conversion rates, cost of hardware manufacture and licence fees received. Our downside case values HTG at \$122m, while we can estimate upside to \$345m. The crucial period to achieve sufficient momentum in sales to justify these valuations is in CY22 with results from Q3, Q4 and outlook supportive.

Historical earnings and RaaS estimates (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA rep.	NPAT rep.	EPS* (c)	EV/Sales (x)	Price/Book (x)
06/21a	8.3	(7.5)	(10.3)	(1.4)	3.6	n.a.
06/22a	2.1	(11.0)	(14.5)	(2.5)	18.5	0.80
06/23f	8.0	(3.0)	(4.7)	(0.8)	5.8	0.94
06/24f	13.3	1.9	0.0	0.0	3.8	0.99

Source: Company data; RaaS Advisory estimates for FY23f and FY24f; *EPS normalised for one-time items

Share Details

ASX code	HTG
Share price (intraday)	\$0.08
Market capitalisation	\$47.1M
Shares on issue	588.9M
Net cash 30-Jun-2022	\$4.497M
Free float	~64%

Share Price Performance (12 months)



Upside Case

- Faster conversion of current leads
- Strong Australian government take-up
- Inmarsat uses as part of key selling proposition of FleetXpress satellite service

Downside Case

- Lower conversion
- Slower take-up due to economic/COVID issues
- Difficulty in scaling/supply of hardware

Catalysts

- Continuing growth in quarterly revenue
- Reaches own goal of 1,000 licences by end-CY22
- Further evidence of take-up of technology
- Evidence of reduced cash burn in CY23

Company Contact

Paul Guilfoyle (CEO) +61 8 6370 6370
investor@harvest-tech.com.au

RaaS Contacts

Scott Maddock +61 418 212 625
scott.maddock@raasgroup.com
Finola Burke +61 414 354 712
finola.burke@raasgroup.com

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- **who we are**
- **our services**
- **how we transact with you**
- **how we are paid, and**
- **complaint processes**

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- **provide general advice to retail and wholesale clients in relation to**
 - **Securities**
- **deal on behalf of retail and wholesale clients in relation to**
 - **Securities**

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Harvest Technology Group Ltd and prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2022 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.