KRC Insights

FLYHT AEROSPACE SOLUTIONS LTD.

FLY-V: $1.56; FLYLF-OTC: US$1.37

3 FEBRUARY 2020

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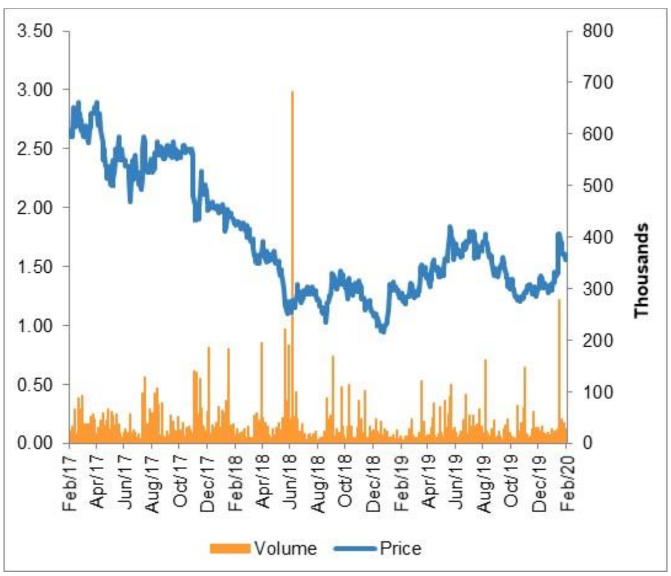
Price	$1.56	Market Cap			$41.6
Target Price	$3.30	Debt			$2.7
Projected Return	112%	Convert. Debt			$1.4
52 Week Range	1.9 / 1.11	Cash*			$4.2
Basic Shares O/S (000's)*	26,654	EV ($m's)			$41.5
FD Shares O/S (000's)*	32,879	*=proforma Q4/19			
Insiders	12.0%				
Y/E December ($000's)	**2018A**		**2019E**	**2020E**	**2021E**
Revenues	13,591		21,500	28,214	35,998
EBITDA	(1,788)		953	(177)	2,650
EPS	-0.09		-0.03	-0.06	0.06
EV/Sales	3.05x		1.93x	1.47x	1.15x



Profile

FLYHT Aerospace Solutions Ltd is a Canadian designer and developer of hardware and software for the aerospace industry. Its primary product, the Automated Flight Information Reporting System (AFIRS), operates on multiple aircraft types and provides real-time streaming functions, such as safety services voice and text messaging, data collection and transmission, as well as on-demand streaming of flight data recorder (black box), engine and airframe data. AFIRS data is transmitted via the Iridium satellite network to its UpTime ground-based server, which in turn routes the data to customer-specified end points and provides an interface for aircraft interaction.

Significant WestJet contract win, financing and Q3/19 – setting up for 2020. Reducing target to $3.30 from $3.60 to account for impact of financing.

HIGHLIGHTS

- On 16 January 2020, FLYHT announced a US$6.2m (~C$8.2m) 5-year contract with WestJet for the supply of FANS-enabled AFIRS hardware. There are no SaaS related revenues with this contract. The contract is front end loaded, represents a new revenue stream along with a significant new, large client, on the Iridium satellite network.
- FLYHT is pursuing other FANS-related contracts.
- In November 2019, FLYHT raised $6.7m gross in anticipation of future revenue growth opportunities. We believe that FLYHT has strengthened its balance sheet to fund future growth which includes working capital requirements for future contracts, expanding the sales team geographically, and accelerating product development
- Q3/19 results underscore the lumpy nature of FLYHT's revenues as it ramps its business. FLYHT sold 33 weather-related FlightLink/TAMDAR boxes primarily to Air Asia in the quarter with only 8 AFIRS boxes as the anticipated Chinese ramp is delayed due to the economic slowdown in that country. We expect this opportunity to resume in 2020E as the Chinese economy stabilizes post the tariff war agreements.
- We account for the above factors in our valuation, raise the SaaS revenue multiple to 6.0x and derive our valuation on 2021E revenues (previously 2020E). The net impact of these actions results in the reduction in our target price to $3.30 from $3.60.

Disclosures

Please refer important disclosures on p11.

Contract win

On 16 Jan 2020, FLYHT announced that it had won a US$6.2m (~C$8.2m) contract from WestJet for the supply of FANS datalink connections over Satcom using FLYHT's AFIRS boxes.

This sale represents FLYHT's first meaningful sale into the FANS market outside of its position with L3Harris (LHS-N)/Airbus (horizontal market expansion); it is hardware only with no recurring revenues. However, we believe that this sale may be a precursor to an additional contract for recurring revenues later in the year targeting a subset of WestJet's fleet. Given the nature of the FANS regulatory approval, if a recurring revenue contract were to occur, it would entail the sale of another AFIRS box.

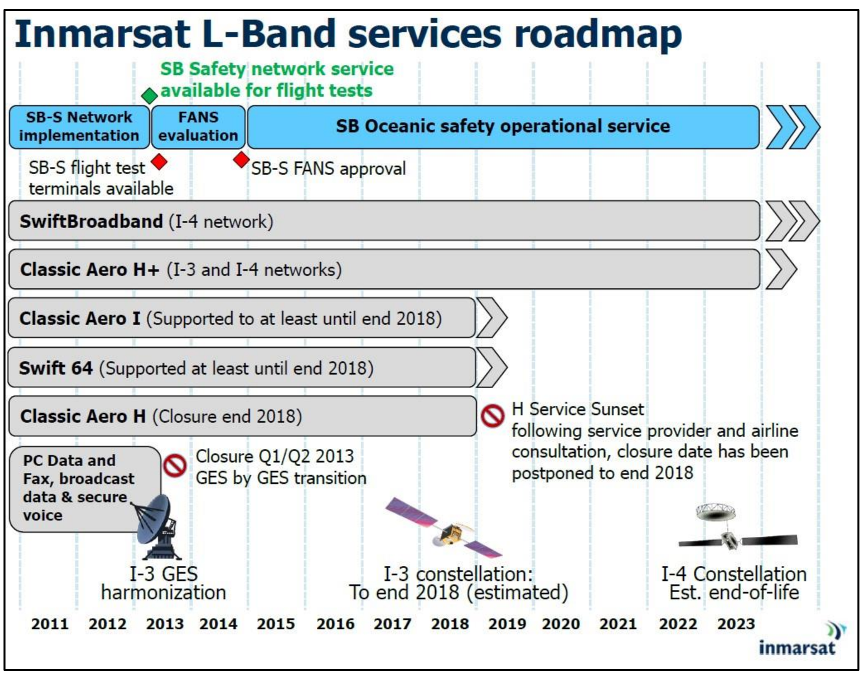
The AFIRS boxes are to be installed on WestJet's fleet of Boeing 737s. WestJet's total fleet is 180 aircraft, but its mainline fleet is all Boeing and comprises 133 aircraft (126 x 737s, 4 x 767s, 3 x 787s) .[1] The 737 fleet is expected to increase to 160 aircraft.

This win also represents FLYHT's first meaningful win on the Boeing platform and replaces legacy Inmarsat equipment with FANS enabled AFIRS equipment utilizing the Iridium network. FLYHT's previously largest Boeing client is the Turkish-based Azur Aviation which generates both SaaS revenues and is also a FANS client.

The contract is front end loaded given the regulatory requirement for FANS compliance, combined with the situation where Inmarsat has announced the end of life its Classic Aero I service (Figure 1), and hence requires the migration over to alternative services.

FLYHT is pursuing other FANS-related contracts.

Figure 1: Inmarsat L-Band satellite services roadmap



Source: Inmarsat, KRC Insights

[1] WestJet 2019 Q3 MD&A

FANS. The Future Air Navigation System (FANS) is an avionics system which provides direct data link communication between the pilot and the air traffic controller. The communications include air traffic control clearances, pilot requests and position reporting (per Wikipedia). Canadian, US and European air authorities have established FANS requirement in certain North American and European air spaces.

A primary benefit of FANS is that it allows for increased airspace capacity by reducing separation between aircraft through the highly accurate satellite datalink position reporting. FANS was first introduced in the early 1990's by Boeing (and called FANS-1), Airbus has its own version (FANS A, with minor enhancements it became A+) and the two are now referred to collectively as FANS 1/A+.

Financing

On 15 Nov 2019, FLYHT announced that it had closed on the first tranche of a financing generating ~$6.0m in gross proceeds. The financing was priced at $1.25 and included a half warrant (24 months at $1.75). On 25 Nov 2019, the second and final tranche of the financing was closed (Figure 5):

Figure 2: FLYHT financing

	Gross proceeds ($000's)	Shares issued	Warrants	Total Shares+Warrants
15/11/19	$5,990,5	4,792,400	2,396,200	7,188,600
25/11/19	$678.5	542,820	271,410	814,230
Total	$6,669.0	5,335,220	2,667,610	8,002,830

Source: Company reports; KRC Insights

Use of proceeds are for:

- Expanded R&D to diversify FLYHT's product offering and assist in the development of next generation products;
- Increased sales and marketing efforts, specifically a more than doubling of the sales team with increased geographic coverage, specifically Central/South America, Europe/Middle East and Asia Pacific region; and for
- Augmenting the working capital needs as the company expands;

As a result of the financing, the number of shares changes as per Figure 3:

Figure 3: FLYHT Share capital post financing (000's)

		Shares	Options	Warrants	Convert. Deb	Total
Per Q3 results		21,319.1	742.7	769.2	1,674.3	24,505.3
Financing 15/11/19	1st tranche	4,792.4		2,396.2		7,188.6
	2nd tranche	542.8		271.4		814.2
	Broker warrants			370.5		370.5
		26,654.3	742.7	3,807.3	1,674.3	32,878.6

Source: Company reports; KRC Insights

Revenues

For Q3/19, FLYHT reported a 68.1% increase in revenues (Figure 4) driven primarily by revenues from the PWS acquisition and the 30% organic growth in SaaS revenues (SaaS=Software as a Service).

Figure 4: FLYHT Q3/19 revenues ($000's)

	Q3/19	Q3/18	% change	
SaaS	2,649.3	1,145.4	131.3%	On the Q3 conference call management stated that organic growth was "more than 30%".
Hardware	1,864.5	1,651.6	12.9%	8 AFIRS units were sold vs 18 LY; 33 FlightLink/TAMDAR (weather) units sold vs nil LY.
Licensing	589.5	265.5	122.0%	Fluctuates due to timing of receipt of licensing orders from L3Harris.
Technical Services	94.0	29.7	216.5%	Lumpy as reflects work completed on specific installation contract(s)
Total	**5,197.4**	**3,092.1**	68.1%	

Source: Company reports; KRC Insights

SaaS revenues. The strong organic growth rate in SaaS revenues is attributable to units being switched on in terms of their service contracts. There can be a delay between shipment of the AFIRS hardware and the switching on of the units to generate monthly recurring revenues due to installation times. SaaS revenue comprised 51% of total revenues in Q3.

Hardware. AFIRS hardware sales of 8 units were disappointing based on the run rate in the first 2 quarters was 48 units in Q1 and 31 units in Q2. We were expecting continued momentum of AFIRS sales into Q3 and Q4 given the Chinese CCAR 121 R5 December deadline. We understand from management that the US/China trade war has slowed economic activity in China resulting in slowing airline travel, which in turn is slowing regulatory compliance. As a consequence, management expects that airlines will be granted an extension to the December2019 deadline to comply, but that the opportunity still remains given the fundamental requirement of improved airline/ground contact in the fastest growing geographic market in the world.

FlightLink/TAMDAR shipments were 33 units in the quarter vs nil last year, the first meaningful shipments of these products since the PWS acquisition. The 33 units were shipped primarily into Air Asia, now FLYHT's largest airline customer by revenue and second largest customer after L3Harris (an OEM). The PWS acquisition came with contracts with 12 airlines, including 90 installs with Air Asia. On 11 December 2018, FLYHT announced that Air Asia had ordered an additional 100 FlightLink/TAMDAR units commensurate with the acquisition of PWS, bringing the Air Asia order to 190 aircraft in total.

Management has an active strategy to sell weather related services into China, a new geographic market for this product.

Licensing revenues. On 1 August 2019, FLYHT announced that it and L3Harris had extended their agreement to provide Satcom products on the Airbus A220 family (in addition to the A320 and A330). Given the sizable nature of licensing revenues to FLYHT, here we provide some context for the announcement and how it should impact FLYHT's revenue stream.

FLYHT/L3Harris displaced Rockwell Collins on the A220 due to the superiority of FLYHT's product. The A220 Satcom option was originally provided by Rockwell Collins. Rockwell Collins was a multinational corporation providing avionics and information technology systems and services to government agencies and aircraft manufacturers. The company was acquired by United Technologies Corporation (UTX-N, not rated) on November 27, 2018, and now operates as part of Collins Aerospace.

Production rates for the A320/A330 and the A220:

- The production rate of the A320 (Airbus' largest seller) will reach 60/month this year with 2019 output forecast at ~700 aircraft. Backlog of A320 is over 6,000 aircraft.
- The production rate of A330 is expected to be 50 aircraft in 2019. Backlog of the A320 is over 300 aircraft.
- The production rate of the A220 in 2019 is expected to be 73 aircraft expanding to 10/month in Montreal and 4/month in Mobile (to roughly 24% of current A320 production – 170/700). At the end of 2019, the order backlog was 595 aircraft. Airbus has made progress boosting production, having delivered 48 A220s in 2019 vs 33 A220s in 2018 and 17 in 2017.[2]

Airbus is executing plans to ramp the production of A220. It is expanding the facility in Mirabel (current capacity is 120 aircraft p.a.) with two large dome buildings for year-round production and introduced an additional line in Mobile, AL (anticipated capacity of 40-50 aircraft p.a. by 2025). The first U.S.-made A220 (an A220-300) went to Delta Air Lines.

Airbus has announced that the A220 will be offering increased range starting in the second half of 2020. This is significant because new airlines intend to use the craft for transatlantic routes. This will drive up the Satcom demand for the aircraft and hence increase FLYHT sales.

Impact on FLYHT: Roughly speaking, over the next 5 years FLYHT's licensing revenues sourced from L3Harris could grow by ~24% p.a. if the same proportion of A220s opt for the Satcom license as does the A320. FLYHT does not receive a license on every A320 sold, only those that opt for the Satcom solution.

This growth estimate relates to the A220 impact only and excludes contract wins seeking Satcom solutions for other aircraft types.

Gross Margins

Gross margins declined year over year due to sales mix (Figure 5).

Figure 5: FLYHT Q3/19 margins

	Q3/19	Q3/18	Explanation
Gross margin	48.5%	56.5%	Reduction due to higher FlightLink/TAMDAR hardware sales with TAMDAR sensor free.

Source: Company reports; KRC Insights

Gross margins are a function of sales mix with the two largest swing factors in a quarter being the level of FlightLink /TAMDAR hardware units (which are lower margin due to the TAMDAR sensor provided at nil cost) and License revenues at >80% GM. During the current quarter, the bulk of hardware sales were the 33 FlightLink /TAMDAR units sold at lower margin vs the AFIRS unit.

Expenses

Expenses have increased due to the PWS acquisition (Figure 6). During the integration period (which ends Q1/20), Panasonic pays FLYHT a subsidy to facilitate the integration of PWS into FLYHT and help offset the offset the negative impact on EBITDA of the acquisition to FLYHT.

[2] https://www.flightglobal.com/air-transport/a220-cost-reductions-on-track-as-airbus-seeks-to-make-the-quebec-programme-profitable/136164.article

Figure 6: FLYHT Q3/19 expenses ($000's)

	Q3/19	Q3/18	Explanation
Distribution expenses	1,941.9	1,395.5	Increase due to PWS acquisition
Administrative expenses	941.0	780.9	Increase due to PWS acquisition
R&D	939.9	398.3	Increase due to PWS acquisition and new product development
Total expenses	3,822.8	2,574.7	
PWS subsidy	-623.5	-	Subsidy offsets negative impact on EBITDA of PWS cost base
Net expenses	3,199.3	2,574.78	

Source: Company reports; KRC Insights

R&D expenses increased by 136% due in part to the PWS acquisition but also increased spending on new product development. We view this as important as it maintains FLYHT's competitive position and will allow it to expand into new verticals.

The net impact of the above was that FLYHT reported a Net Loss of $777.1k in Q3/19 vs a loss of $953.0k in Q3/18.

Balance Sheet

Over the past 5 quarters, FLYHT has maintained a steady cash balance of between $2.0m and $2.5m through a combination of tight cost control and receipt of the Panasonic subsidy to facilitate the PWS integration ameliorate the PWS losses.

This will change in 2020 due to:

- The November 2019 financing which raised $6.7m gross;
- Loss of the PWS subsidy from Q2/20 (roughly $600k/quarter); and
- Increased R&D spending and increased Distribution (Sales and Marketing) expenses. We view these increases as essential given the competitive environment in which FLYHT operates and as its sales team size has been historically limited.

Estimate Changes

FLYHT is a company in the early stages of revenue ramp with an increasing number of revenue drivers. Consequently, revenue growth is lumpy off a base business. For instance, in Figure 7 we highlight the sizeable one-time contributors to the revenue growth in a particular quarter.

We believe that the lumpy nature of revenue growth will persist for the foreseeable future. Especially, given that the company is participating in some sizable bids and there are also strong regulatory and industry trends.

Figure 7: FLYHT – lumpy nature of quarterly revenues

	Lumpy Event	Details	Implications
Q1/19	Hardware revenues of $2.4m, highest on record	48 AFIRS units shipped, highest ever	AFIRS hardware sales and deliveries are lumpy
Q2/19	Licensing revenues of $1.5m, highest on record*	License payment received from L3Harris for AFIRS install on Airbus	Consistent sales of A320/A330 and now A220 implies steadily increasing licensing revenues, bulk of which are typically received in Q2
Q3/19	Hardware revenues of $1.9m	Driven by sales of 33 FlightLink/TAMDAR units, first shipment since PWS acquisition	FlightLink/TAMDAR hardware deliveries will be lumpy until these units are deployed (thereby contributing to SaaS revenues)

Source: Company; KRC Insights. *=excludes the receipt of the funds resulting from the sale of a non-exclusive license to use certain intellectual property of $3.2m in Q3/16

As a result, we believe it is appropriate to make forecasts on an annual basis vs a quarterly basis as the timing of the actual contract wins may occur in any quarter in the year. In Figure 8, we highlight our updated revenue forecasts.

Figure 8: FLYHT revenue forecast changes ($000's)

	2019E		2020E		2021E	
	New	Old	New	Old	New	Old
SaaS	10,198	10,577	11,935	15,541	15,178	-
Hardware	7,377	11,463	12,279	15,946	16,120	-
Licensing	2,926	2,394	3,000	1,400	3,200	-
Technical Services	1,000	800	1,000	250	1,500	-
Total	21,500	25,234	28,214	33,136	35,998	-

Source: KRC Insights

SaaS. We had originally anticipated that there would be a ramp of AFIRS hardware sales with associated SaaS revenues into year end as the Chinese airlines complied with the CCAR 121 R5 deadline of 31/12/19. As noted earlier in this report, it appears that airlines will be granted an extension of the deadline. We now assume that airlines will seek compliance later in 2020 as the negative impact of the US/China tariff wars abates and economic recovery picks up. Also, we assumed that there was a high attach rate between sales of hardware units and concomitant SaaS revenue. However, the WestJet contact and other potential FANS contracts reduces that link as FANS sales are hardware only. There is the opportunity to upsell SaaS services into these accounts, but the timing of such sales is difficult to determine.

An upside to our SaaS forecasts is additional FlightLink/TAMDAR-related as **management has an active strategy to sell weather related services into its legacy AFIRS customer base and the Chinese market**.

Hardware. During Q3 FLYHT sold only 8 AFIRS units, but 33 FlightLink/TAMDAR units. FlightLink/TAMDAR units have a lower selling price than AFIRS units. Rapid shipments of AFIRS units is expected to resume in Q2/20 as the WestJet contract ramps. The contract is front end loaded, implying the bulk of the 160 units shipped will be delivered in the 2020/2021 timeframe despite being a 5 years contract.

Licensing. Consistent sales of Airbus A320 and A330 aircraft, and now the addition of the Airbus A220 will drive steady upward growth in this revenue stream.

Technical Service revenues, while small, are an important indicator of future business. These revenues are typically generated when a customer requires an AFIRS or FlightLink/TAMDAR installation on a new aircraft type. Hence, the receipt of Technical Service revenues is indicative of the fact that the customization work is complete, and that hardware deployment/installation should commence (i.e. is a leading indicator of future business). As FLYHT expands its product offerings and penetration into accounts on different aircraft, we expect this revenue stream will grow.

However, management is also actively pursuing engineering service contracts which will ultimately convert cost centers within the company to profit centers. **FLYHT has proposals out with aircraft equipment OEMS in this regard.**

Valuation

We expect that FLYHT's revenue mix will change slightly from our previous estimates as China has slowed temporarily thereby negatively impacting our SaaS revenue growth forecasts; however, this is compensated for by the ramping FANS hardware revenues.

Nevertheless, we continue view FLYHT as a SaaS company as it is positioned to participate in the connected aircraft cycle. In FLYHT's instance, software is licensed on a monthly subscription basis and is centrally hosted on its UpTime server. While its hardware sales are 'lumpy' and incur long sales cycles, the SaaS revenue stream benefits from its stable and recurring nature, as fees are paid over the life of the contract, typically 5 years.

Figure 9 highlights the major TSX-listed SaaS companies and a select group of US SaaS companies that underwent their initial public offerings (IPO) during 2018. Currently, the TSX listed group is trading at 7.9x EV/2021E revenues and the US list of 2018 SaaS IPOs is trading at 6.6x.

Figure 9: Software as a Service (SaaS) comparable companies (currencies per country, pricing at 31/1/20)

					EBITDA		Revenues		Rev	EV/Revenues	
	Symbol	Price	Mkt Cap	EV	2020E	2021E	2020E	2021E	Growth	2020E	2021E
FLYHT Aerospace Solutions Ltd	**FLY.V**	**1.56**	**33**	**36**	**(0.2)**	**2.6**	**28.2**	**36.0**	**27.6%**	**1.29x**	**1.01x**
TSX											
Descartes Systems Group Inc	DSG.TO	59.33	5,003	4,977	162.2	183.0	361.5	432.1	19.5%	13.77x	11.52x
Open Text Corp	OTEX.TO	59.56	16,127	18,265	1,534.7	1,755.9	3,793.1	4,149.8	9.4%	4.82x	4.40x
Kinaxis Inc	KXS.TO	109.88	2,907	2,653	72.5	88.0	249.6	277.5	11.2%	10.63x	9.56x
Computer Modelling Group Ltd	CMG.TO	8.08	650	644	36.4	37.5	71.4	76.8	7.6%	9.02x	8.38x
Constellation Software Inc	CSU.TO	1,391.05	29,478	30,070	1,438.9	1,710.1	4,579.2	5,395.4	17.8%	6.57x	5.57x
Average							**9,054.8**	**10,331.7**	**14.1%**	**8.96x**	**7.89x**
US-Select SaaS IPOs (2018)											
DocuSign Inc	DOCU.O	78.51	14,089	13,894	76.3	114.6	965.5	1,215.2	25.9%	14.39x	11.43x
Dropbox Inc	DBX.O	17.02	7,069	6,237	470.6	528.8	1,901.4	2,130.2	12.0%	3.28x	2.93x
Pluralsight Inc	PS.O	19.39	2,727	2,848	(53.3)	(28.1)	395.3	511.2	29.3%	7.20x	5.57x
Smartsheet Inc	SMAR.K	48.48	5,695	5,137	(30.9)	(22.1)	270.1	376.4	39.3%	19.02x	13.65x
Zuora Inc	ZUO	14.75	1,670	1,511	(29.4)	(20.8)	277.6	324.2	16.8%	5.44x	4.66x
Blue Apron Holdings Inc	APRN.K	3.86	51	48	0.8	8.0	437.2	482.4	10.3%	0.11x	0.10x
Snap Inc	SNAP.K	18.38	25,731	24,351	105.0	501.4	2,361.6	3,093.6	31.0%	10.31x	7.87x
Average							**6,608.7**	**8,133.2**	**23.1%**	**8.54x**	**6.60x**

Source: KRC Insights, Refinitiv Eikon

Using a sum of parts approach (Figure 10), we derive a lower target price of C$3.30 (from $3.60) as:

- We raised the SaaS EV/revenue multiple to 6.0x from our original 5.2x as the entire SaaS complex has undergone upward valuation rerating;
- However, the benefit of the higher valuation multiples associated with SaaS revenue is offset to some extent by the dilution resulting from the increased number of shares in issue resulting from the Nov 2019 financing and lower hardware revenues;
- Derived using 2021E revenue estimates vs 2020E previously.

Figure 10: FLYHT valuation. Sum of parts (000's), EV/Sales

New				Previous			
	2021E	**Multiple**	**Value**		**2020E**	**Multiple**	**Value**
SaaS Revenues	15,178	6.0x	91,065	SaaS Revenues	13,878	5.2x	72,167
Hardware	16,120	1.0x	16,120	Hardware	17,596	1.0x	17,596
Licensing fees	3,200	1.0x	3,200	Licensing	2,000	1.0x	2,000
			$110,385				$91,763
FD # shares		32,879		FD # shares		24,479	
				$2.5m raise		1,250	
			32,879				25,729
Price/share			$3.35	Price/share			$3.57
Rounded			**$3.30**	**Rounded**			**$3.60**

Source: KRC Insights

As mentioned earlier in the report, there are several new revenue opportunities anticipated for FLYHT, some of which are included in our estimates. We believe that the shares will appreciate off the back of these announcements. However, we anticipate that the shares will undergo a fundamental rerating if/when FLYHT lands another major airline/large contract.

Appendix I: Income Statement ($000's)

Dec year-end $000's	2017	2018	Q1/19	Q2/19	Q3/19	Q4/19E	2019E	2020E	2021E
SaaS	4,313	5,529	2,405	2,481	2,649	2,662	10,198	11,935	15,178
% growth	-1.4%	28.2%	130.6%	129.9%	131.3%	17.7%	84.4%	17.0%	27.2%
Hardware	4,601	5,537	2,375	1,755	1,865	1,383	7,377	12,279	16,120
% growth	17.0%	20.3%	51.6%	105.4%	12.9%	-5.6%	33.2%	66.5%	31.3%
Parts sales/Licensing	4,952	2,265	378	1,502	590	457	2,926	3,000	3,200
% growth	-14.8%	-54.3%	-39.7%	33.7%	122.0%	82.9%	29.2%	2.5%	6.7%
Services	154	260	184	613	94	109	1,000	1,000	1,500
% growth	-28.8%	68.7%	124.1%	583.7%	216.5%	86.8%	285.1%	0%	50.0%
Total Revenues	**14,019**	**13,591**	**5,342**	**6,350**	**5,197**	**4,611**	**21,500**	**28,214**	**35,998**
Total revenue growth	-2.2%	-3.1%	61.0%	101.8%	68.1%	14.3%	58.2%	31.2%	27.6%
Cost of revenue	(4,773)	(5,525)	(2,433)	(2,141)	(2,675)	(2,063)	(9,488)	(13,350)	(17,149)
Gross profit	9,246	8,066	2,909	4,209	2,523	2,548	12,012	14,864	18,848
Distribution Expenses	(4,952)	(5,993)	(2,067)	(2,295)	(1,942)	(2,082)	(8,385)	(8,746)	(8,999)
Administration Expenses	(3,159)	(3,252)	(955)	(1,118)	(941)	(1,070)	(4,085)	(4,232)	(4,320)
R&D	(2,519)	(2,631)	(708)	(1,021)	(940)	(772)	(3,440)	(3,386)	(3,600)
Total costs	(10,629)	(11,876)	(3,730)	(4,434)	(3,823)	(3,924)	(15,910)	(16,364)	(16,919)
Operating income	(1,383)	(3,810)	(821)	(225)	(1,300)	(1,376)	(3,898)	(1,500)	1,930
Interest and other income	16	207	6	7	4	*34*	50	50	50
Forex, Interest paid, convertible deb	(379)	(472)	(295)	(290)	(104)	*(111)*	(800)	(400)	(400)
Other*		1,861	1,317	1,545	624	*583*	4,068	603	
Net income before taxation	(1,747)	(2,214)	207	1,037	(777)	(870)	(580)	(1,247)	1,580
Taxation	(9)	248	(1)	0	0	3	3	6	(8)
Net income	**(1,756)**	**(1,967)**	**206**	**1,038**	**(777)**	**(867)**	**(577)**	**(1,241)**	**1,572**
EPS - Basic	**($ 0.09)**	**($ 0.09)**	**$ 0.01**	**$ 0.05**	**($ 0.04)**	**($ 0.04)**	**($ 0.03)**	**($ 0.06)**	**$ 0.07**
EPS - FD	**($ 0.09)**	**($ 0.09)**	**$ 0.01**	**$ 0.05**	**($ 0.04)**	**($ 0.04)**	**($ 0.03)**	**($ 0.06)**	**$ 0.06**
	2017	**2018**	**Q1/19**	**Q2/19**	**Q3/19**	**Q4/19E**	**2019E**	**2020E**	**2021E**
Gross profit %	66.0	59.3	54.5	66.3	48.5	55.3	55.9	52.7	52.4
Operating margin %	(9.9)	(28.0)	(15.4)	(3.5)	(25.0)	(29.8)	(18.1)	(5.3)	5.4
EBITDA $000's	(1,240)	(1,788)	676	1,512	(461)	(598)	953	(177)	2,650
EBITDA margin %	(7.7)	-13.2%	12.7%	23.8%	-8.9%	-13.0%	4.4%	-0.6%	7.4%
Effective tax rate %	(0.5)	11.2	0.5	(0.0)	0.0	0.4	0.5	0.5	0.5
Net margin %	(12.5)	(14.5)	3.8	16.3	(15.0)	(18.8)	(2.7)	(4.4)	4.4

*=PWS subsidy

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