Indoor Skydive Australia Group

IDZ.ASX BUY

22 May 2014

Penrith up and flying

IDZ completed the construction and commissioning of the Penrith facility on 24 March 2014, with the facility open to the general public on 26/4/14. The final construction cost of $13m was above initial estimates, due to an acceleration of development, some unanticipated costs and measures to improve operational efficiency.

Penrith has experienced strong initial demand from the military, professional and retail sectors, with no teething problems, other than a delay in completion of its cafe.

Gold Coast the next venue

IDZ has advised that the next facility will be on the Gold Coast, with further facilities to be constructed in Adelaide, Perth, Melbourne and possibly New Zealand.

The Gold Coast was selected next, due to its high visitor and local traffic and the need to proceed ahead of increasing Commonwealth Games related building activity. Construction is expected to commence within the next few months, with completion expected in Q4 FY2015, based on the time line for the Penrith construction.

A 12 foot tunnel is to be built, catering mostly for retail and tourists, rather than Professionals, at a lower Capital Cost of around $9.5m to $10.5m. Margins and returns are expected to be comparable to Penrith, including a 4 year return of capital.

While the financing and ownership structure is yet to be finalised, this is expected to be completed within IDZ's current resources.

Extension of Note Facility

IDZ has extended initial conversion and expiry dates of the Note facility by 6 months, now 10/12/14 and 10/6/2015 respectively, ensuring funding of the Gold Coast facility.

Forecast changes

Forecasts for FY2015 and FY2016 onwards have been adjusted as follows:

- Corporate and Head Office costs, mainly administrative, marketing and promotion which will be spread across both operations, have been separated to give a better indication of individual tunnel performance.
- Penrith costs have been adjusted to remove corporate costs.
- Forecasts for the Gold Coast have been included from FY2016 onwards, presuming costs related to FY2015 will be capitalised.

EBITDA for FY2015 is now forecast at $2.1m, on unchanged Revenue of $7.1m. With inclusion of the Gold Coast, Group EBITDA for FY2016 increases by 176.3% to $5.8m on a Revenue increase of 93.4% to $13.7m.

Board and Management changes

IDZ has added to its skill set with the appointment of David Murray to the Board. This follows the recent strengthening of its finance, legal, marketing and project management team ahead of the development of a second tunnel.

Recommendation

We retain our BUY recommendation with a revised Target Price of $0.85 ps (up from $0.70 ps), based on:

- Indications of a strong initial take-up at Penrith and strong consumer acceptance.
- A quantum increase in profitability with the inclusion of the Gold Coast, with the strong prospect for further developments, each capable of generating returns similar to the Gold Coast.
- The significant discount of the current share price to our Valuation of $0.85 ps.

Price	**0.67**
Price Target	**0.85**
Valuation method	PE Relative
GICS sector	Consumer Services
12 Mth Price Range	$0.30 - 0.92
Avg monthly share turnover	0.2m
Market Capitalisation*	$58m
Shares on Issue*	87.3m
Enterprise Value*	$57m
Previous Rating	**BUY**

* includes 19.5m unlisted escrow shares

Year Ended June 30		13A	14E	15E	16E	17E	18E
Operating Revenue	$m	0.0	1.7	7.1	13.8	15.6	16.8
EBITDA	$m	-0.8	-1.1	2.1	5.8	6.9	7.5
		na	na	na	177	20.1	8.3
EBITDA margin	%		*na*	*29.4*	*42.0*	*44.5*	*44.8*
EBIT	$m	-0.8	-1.3	1.4	4.6	5.7	6.3
EBIT margin	%		*-73*	*20.2*	*33.3*	*36.7*	*37.6*
NPAT	**$m**	**-0.6**	**-1.5**	**1.1**	**3.6**	**4.2**	**4.8**
NPAT growth	%				*214*	*18.3*	*12.8*
EPS	¢ps		-1.9	1.3	4.1	4.8	5.5
EPS growth	%				*214*	*18.3*	*12.8*
DPS	¢ps	0.0	0.0	0.0	0.0	0.0	0.0
Franking	%		0.0	0.0	0.0	0.0	0.0
PER	x		0.0	51.1	16.3	13.7	12.2
Dividend yield	%	0.0	0.0	0.0	0.0	0.0	0.0
NTA/share	¢ps	9.9	15.8	17.1	21.2	26.1	31.5
EV/EBITDA	x			30.3	9.5	7.3	5.9
Gearing (D:E)	%		0	32.9	0.0	0.0	0.0
P/OCF	x		-54	21.7	8.1	8.7	9.0
ROA	%		-8.1	5.7	14.7	17.2	17.7
ROE	%		-14.0	7.4	20.4	19.8	18.5
Interest cover (EBIT)	x		-7.3	4.8	na	na	na

IDZ v XSI (S&P/ASX Small Industrial Index)

Source: IRESS

Activities

The operation of Indoor Skydivings Centres in Australia and New Zealand

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ISA GROUP INDOOR SKYDIVE AUSTRALIA GROUP

Indoor Skydive Aust Group (IDZ) — Current Price: $0.67 ps — Target Price: $0.85 ps

PROFIT & LOSS

Year ended 30-Jun		2013A	2014E	2015E	2016E	2017E	2018E
Sales Revenue	**$m**	**0.0**	**1.7**	**7.1**	**13.8**	**15.6**	**16.8**
Expenses	$m	-0.8	-2.9	-5.0	-8.0	-8.7	-9.3
EBITDA	**$m**	**-0.8**	**-1.1**	**2.1**	**5.8**	**6.9**	**7.5**
Depreciation & Amort	$m	0.0	-0.2	-0.7	-1.2	-1.2	-1.2
EBIT	**$m**	**-0.8**	**-1.3**	**1.4**	**4.6**	**5.7**	**6.3**
Interest (Net)	$m	-0.1	-0.2	-0.3	0.0	0.3	0.5
Pre Tax Profit	**$m**	**-0.9**	**-1.5**	**1.1**	**4.6**	**6.0**	**6.8**
Tax	$m	0.3	0.0	0.0	-1.0	-1.8	-2.0
Normalised Profit	**$m**	**-0.6**	**-1.5**	**1.1**	**3.6**	**4.2**	**4.8**
Significant Items & Costs (Net)	$m	0.0	0.0	0.0	0.0	0.0	0.0
Reported Profit	**$m**	**-0.6**	**-1.5**	**1.1**	**3.6**	**4.2**	**4.8**

Growth

		2013A	2014E	2015E	2016E	2017E	2018E
Revenue	%			307.4	93.7	13.6	7.6
Expenses	%			75.5	59.0	8.8	6.9
EBITDA	%				177.1	20.1	8.3
EBIT	%				218.5	25.4	10.0
Normalised Profit	%				214.3	18.3	12.8
EPS	%				214.3	18.3	12.8

P&L Ratios

		2013A	2014E	2015E	2016E	2017E	2018E
EBITDA / Sales	%		-63.9	29.4	42.0	44.5	44.8
EBIT / Sales	%		-73.2	20.2	33.3	36.7	37.6
Net Profit Before Tax / Sales	%		-83.3	16.0	33.3	38.6	40.6
Effective Tax Rate	%		0.0	0.0	21.9	30.0	30.0
Interest Cover	x		-7.3	4.8	na	na	na

Per Share

		2013A	2014E	2015E	2016E	2017E	2018E
Issued Shares	m	58.8	87.3	87.3	87.3	87.3	87.3
Issued Shares (Wt Avg)	m		77.2	87.3	87.3	87.3	87.3
EPS	¢ps		-1.9	1.3	4.1	4.8	5.5
EPS (dil C/Notes & Opts)*	¢ps		-0.9	1.3	4.1	4.8	5.5
Operating Cash Flow ps	¢ps		-1.2	3.1	8.2	7.6	7.4
Free Cash Flow	¢ps		-16.3	-7.2	7.7	7.1	7.0
DPS	¢ps		0.0	0.0	0.0	0.0	0.0
Franking	%		0.0	0.0	0.0	0.0	0.0
Dividend Payout Ratio	%		0.0	0.0	0.0	0.0	0.0

Parameters

		2013A	2014E	2015E	2016E	2017E	2018E
PE Ratio	x		0.0	51.1	16.3	13.7	12.2
Enterprise Value / EBITDA	x			30.3	9.5	7.3	5.9
Enterprise Value / Profit	x			55.7	15.3	11.9	9.3
Cash Flow ratio	x			21.7	8.1	8.7	9.0
Dividend Yield	%			0.0	0.0	0.0	0.0

VALUATION

Valuation Method	**$**	**Premium(+)/Discount(-) to**	**%**
PE Relative	0.85	Current Price	-21.8
DCF	0.85	Current Price	-21.8
Market Capitalisation	$58.1m	Enterprise Value	$57.0m

DIRECTORS

Kenneth Gillespie	Non-Exec Chairman	John Diddams	Non-Exec Director
Wayne Jones	Managing Director	David Murray	Non-Exec Director
Daniel Hogan	Exec Director		
Steve Baxter	Non-Exec Director		

CASH FLOW

Year ended 30-Jun		2013A	2014E	2015E	2016E	2017E	2018E
Operating EBITDA	**$m**	**-0.8**	**-1.1**	**2.1**	**5.8**	**6.9**	**7.5**
Net Interest Paid	$m	-0.1	-0.2	-0.3	0.0	0.3	0.5
Tax Paid	$m	0.0	0.3	0.0	0.0	-1.0	-1.8
Chg WorkCap &	$m	0.0	0.1	0.9	1.4	0.4	0.3
Other	$m	0.2	0.0	0.0	0.0	0.0	0.0
Operating Cash Flow	**$m**	**-0.7**	**-1.0**	**2.7**	**7.2**	**6.7**	**6.5**
Capex	$m	-2.5	-10.6	0.0	-0.5	-0.5	-0.4
Capitalised D'ment Costs	$m	0.0	-1.0	-9.0	0.0	0.0	0.0
Free Cash Flow	**$m**	**-3.2**	**-11.6**	**-6.3**	**6.7**	**6.2**	**6.1**
Acquisitions/Asset Sales	$m	0.0	0.0	0.0	0.0	0.0	0.0
Dividends Paid	$m	0.0	0.0	0.0	0.0	0.0	0.0
Equity Raised	$m	6.4	10.4	0.0	0.0	0.0	0.0
Debt (change)	$m	2.0	-1.0	4.0	-3.0	-2.0	0.0
Other	$m	0.0	0.0	0.0	0.0	0.0	0.0
Change in Net Cash	**$m**	**5.2**	**-2.1**	**-2.3**	**3.7**	**4.2**	**6.1**

BALANCE SHEET at 3(

		2013A	2014E	2015E	2016E	2017E	2018E
Cash	$m	5.2	2.1	-0.2	3.4	7.6	13.7
Receivables	$m	0.1	0.1	0.4	0.8	0.9	1.0
Inventory	$m	0.0	0.1	0.4	0.5	0.5	0.5
Other Current Assets	$m	0.0	2.0	3.0	4.0	0.2	0.3
Current Assets	**$m**	**5.3**	**4.3**	**3.6**	**8.7**	**9.2**	**15.4**
Property, Plant & Equipn	$m	5.0	14.7	23.5	22.9	22.7	21.7
Intangibles	$m	0.0	1.0	1.0	1.0	1.0	1.0
Other NC Assets	$m	0.0	1.0	1.0	1.5	0.4	0.5
Non Current Assets	**$m**	**5.0**	**16.7**	**25.5**	**25.4**	**24.1**	**23.2**
Total Assets	**$m**	**10.3**	**21.0**	**29.1**	**34.1**	**33.3**	**38.6**
Payables	$m	0.3	0.5	2.0	3.9	4.4	4.7
Current Debt	$m	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	$m	0.0	2.5	3.5	6.0	0.4	0.5
Current Liabilities	**$m**	**0.3**	**3.0**	**5.5**	**9.9**	**4.8**	**5.2**
Non Current Debt	$m	2.0	1.0	5.0	2.0	0.0	0.0
Other NC Liabilities	$m	2.1	2.2	2.6	2.7	4.7	4.9
Non Current Liabities	**$m**	**4.1**	**3.2**	**7.6**	**4.7**	**4.7**	**4.9**
Total Liabilities	**$m**	**4.5**	**6.2**	**13.1**	**14.5**	**9.5**	**10.1**
Shareholder Funds	**$m**	**5.9**	**14.8**	**16.0**	**19.5**	**23.7**	**28.5**

BALANCE SHEET Rat

		2013A	2014E	2015E	2016E	2017E	2018E
Net Debt	$m	0.0	0.0	5.2	0.0	0.0	0.0
Gearing (D:E)	%	0.0	0.0	32.9	0.0	0.0	0.0
Current Ratio (CA / CL)	x	15.4	1.4	0.6	0.9	1.9	2.9
Net Assets	¢ps	9.9	17.0	18.3	22.4	27.2	32.7
Net Tangible Assets	¢ps	9.9	15.8	17.1	21.2	26.1	31.5
Cash	¢ps	5.5	1.2	0.0	3.9	8.7	15.7
Price to Book Value	x	6.7	3.9	3.6	3.0	2.4	2.0
Return On Assets	%		-8.1	5.7	14.7	17.2	17.7
Return on Equity	%		-14.0	7.4	20.4	19.8	18.5

MAJOR SHAREHOLDERS

Excalib-Air	m	16.0	18% Wayne Jones (CEO) & Daniel Hogan (COO)
Birkdale Holdings	m	15.0	17% Steve Baxter (NE Director)
Greencape	m	9.1	10% Institution
Paradice	m	4.7	5% Institution
LHC	m	7.2	8% Institution
Top 20 (25/10/13)	m	0.0	79%

Source:IDZ (Actual), Veritas (Forecasts)

Completion of Penrith

Construction and commissioning completed in March, in line with expectations

Construction and commissioning of the Penrith tunnel was completed on 24/3/2014, with the commercial fit-out (reception, merchandise shop, frequent flyer lounge) completed prior to the opening to the general public on 26/4/14. Due to a change in operator of the food and drink facility (upRaw Café & Juice Bar) to IDZ, this won't be fully operational until late May. The Gala Opening will be in mid June.

Capital costs were higher, due to normal contingencies and one-offs

The final construction costs for the Penrith facility are now expected to be around $13.1m, comprising tunnel costs of $3.3m, constructions costs of $8.7m (including retentions) and other project costs of $1.1m. While the tunnel costs were in line with expectations, the total costs were higher than the $10.5m originally expected in the Prospectus, mostly related to design changes around:

- Costs associated with acceleration of the facility's completion.
- Factors normally incurred in the course of large infrastructure projects, such as weather.
- Late electricity design changes and the implementation of redundant power supply, not in the original design.
- Other factors, such as a change in the catering facilities, with IDZ now responsible for the fit out.

While the capital costs have increased, the design changes are aimed at reducing operating costs and increasing the functionality of the facility. We would expect these design changes to be implemented in the final design of the Gold Coast and further facilities, reducing the prospect of future over-runs.

Training of the full time instructors was completed during the commissioning stage, with 7 local and 5 international instructors, employed on 457 visas, now on board. Total staff of 22 will be employed at Penrith, with 4 instructors and 2 receptionists on at any one time and around 6 at Head Office.

Tunnel Utilisation

Strong initial sales

Prior to the public opening and completion of the fit-out, IDZ generated initial revenue from:

- Its first corporate event for Exact Target, with 38 people flying.
- Skydiver training, professional/enthusiast skydivers and the military testing on a restricted hourly basis, while the commercial fit-out was being completed. This included part of the 500 hours of tunnel time sold under its initial "Early Bird Offer", sold at discounted rates up to $1,199 per hour.

Post opening, demand has been strong, particularly weekends, supported by:

- Over $1m of pre-sales, supported by established distribution channels, mostly Adrenalin, Costco, Panthers Partners and the Australian Parachute Federation. The Australian Parachute Federation is running its annual conference within the Penrith Panthers precinct, involving 150 delegates for a week, utilizing Hotel, Panthers club and substantial tunnel time after conference hours.
- Commencement of military training from 30/4/14.
- Direct bookings, following promotion and marketing, which includes newspaper, social media and TV, bus and shopping centre promotion (using an iFly Wind Booth) and inclusion on the iFly global website.
- Open days for Corporate sponsors, Australia Defence forces and school and youth groups, as well as 'value add' programs such as Junior iFlyers and education and training programs.

Note: While some pre-sales will be included in cash flow, these sales through distribution channels are only recognised as revenue when flights are actually taken.

Board and Management Appointments

David Murray added to the Board

IDZ has appointed David Murray as a Non-Executive Director. David was a long standing MD of the Commonwealth Bank, the inaugural Chairman of the Australian Government Future Fund and head of the Government's inquiry into the Australian financial system. David is expected to add his considerable experience in ongoing financing of IDZ's projects and the rapid development of its portfolio. During the capital raising in October 2013, David also took a placement of 2.2m shares at $0.45 ps.

This follows the recent appointments in Finance, Legal, Sales and Marketing and Project Management, ahead of the commencement of the Gold Coast tunnel, to carry through to additional tunnels.

Extension of the Convertible Note Facility

Convertible Note facility extended for 6 months

The terms of the Note have been extended at the request of the holder. The note now matures on 10/6/15, convertible from 10/12/14. We anticipate this note will be replaced with a bank facility before expiry.

The Gold Coast site

Gold Coast chosen as next site

IDZ has announced that Surfers Paradise on the Gold Coast has been selected as the site for a second Wind Tunnel, on the following basis:

- Good site availability with high visibility, in the heart of the tourist precinct on Surfers Paradise Boulevard. This should ensure good local and tourist traffic flows, with the tourist market alone covering 12m visitors pa.
- Full council support, including financial grants.
- Availability of construction groups, before the ramp up of 2018 Commonwealth Games activity.

Based on the time line for Penrith, we would expect the construction to take 12 months, suggesting a completion date in Q4 FY2015.

Completion expected in June FY2015

Planning is well underway, with:

- Lease negotiations underway, with a lease agreement expected to be completed shortly.
- Advanced architectural design, utilising the experience from Penrith, including the site maximisation. A Development Application is expected to be submitted in June 2014.
- Key suppliers identified, as well as required staging areas off-site.

Expected cost of around $10m, to be funded from existing resources

While IDZ has not released a final costing for this facility, this is expected to be in a range of $9.5m to $10.5m, financed by a combination of:

- Current cash resources (estimated at $2.0m at 30/6/14), boosted by escalating cash flow from Penrith, particularly as a large part of the cost is back-ended. Due to the nature of the operations, IDZ runs on a negative working capital basis, which increases as turnover grows. Also, IDZ has already paid a deposit to SkyVenture for the additional tunnels.
- Initially from the $5.9m Convertible Note Facility expiring on 10/6/15, currently drawn to $1m, to be replaced by bank debt.
- An investment by SkyVenture within the guidelines specified in the Joint Territory Development Agreement (JTDA), with SkyVenture having the automatic right to invest up to A$1m in the project, or on negotiation, a further investment of up to 50% of the Project.

Our initial projections on Revenue and EBITDA for a 12 foot tunnel at the Gold Coast are outlined in Appendix 1. These forecasts are based on the following key parameters:

- An expected 13 opening hours for 365 days pa, with no noise restrictions.
- An effective retail utilization rate of 32% in Year 1, 42% in Year 2 and increasing to 46% in Year 4.
- Yield per retail customer of $80 in Year 1 and 2, increasing to $85 in 2018, is lower than Penrith, due to the nature of the Gold Coast market, with a high level of promotional packaging. However, with higher flyer number per hour, the retail yield per opening hour is higher, increasing from $1,008 to $1,521 in Year 3.
- Expected 100 professional hours pa (1.0 hours per day) in 2016, increasing to 180 hours pa in 2020 (1.2 hours per day), substantially below Penrith, due to the location and size of the tunnel. With this different retail mix, total revenue per operating hour in lower than Penrith.
- For professionals, $1,000 per hour in Year 1, increasing to $1,100 in Year 4, with 1.0 hour only in Year 1, increasing to 1.2 hours in Year 4.
- Merchandise sales at around 6.5% of revenue and Food & Drink at a net 1.5%.

This is expected to generate revenue in Year 1 of around $5.1m, increasing to $7.7m in Year 4 onwards, with EBITDA of $2.8m in Year 1, increasing to $4.4m in Year 4.

Additional sites identified

Additional sites identified in Perth, Adelaide Melbourne and NZ

The identification of the additional sites in Adelaide, Perth and Melbourne is continuing, with sites in New Zealand also identified. We expect either Adelaide or Perth to follow the Gold Coast, with the timing of a development in Melbourne related to site identification and the DA approval process.

Each of these prospective sites is capable of generating similar returns to the Gold Coast. Our best guess would see at least 1 further tunnel completed before the end of FY2016.

Forecasts

Forecasts amended to reflect costs going forwards with corporate costs separated

Penrith - As it is still "early days" in the operation of Penrith, Revenue forecasts are unchanged. However, the cost base going forward for Penrith has been amended as follows:

- The direct cost structure for Penrith has been amended, with the separation of Corporate costs, such as Head Office costs, marketing and promotion, and compliance issues, not directly connected to the operation of each facility. This is intended to provide a clearer picture of the ongoing profitability of each individual facility.
- Food & Drink revenue has been adjusted, with minimal net revenue expected in FY2014, building to a net 1.5% of Revenue.
- While we expect a small EBITDA contribution of $0.2m in FY2014, this is expected to increase to $4.1m in FY2015 on Revenue of $7.2m, reaching EBITDA of $5.5m by FY2018.

Gold Coast to add Revenue and EBITDA of $5.1m and $2.8m in Year 1

Gold Coast - Inclusion of the Gold Coast, for FY2016 onwards adding:

- Forecast initial total Revenue in FY2016 of $5.1m, assuming 12 months of operations, with an initial EBITDA contribution of $2.8m, at an EBITDA margin of 54.3%.
- For FY2017, an increase in Revenue of 27.8% to $6.6m, with an increase in EBITDA of 33.6% to $3.7m, and an increase in margins to 56.7%.

It is assumed the development costs in FY2015 will be capitalized.

Corporate Costs - Corporate cost of $2.0m in FY2015, increasing to $2.1m in FY2016 and $2.3m in FY2018, mainly covering Corporate Head Office and related costs.

With relative fixed corporate costs, Group EBITDA is highly leverage to Revenue growth

As the corporate office is now capable of providing overall development planning, marketing and promotion, accounting and various compliance functions for all existing and anticipated operations, without any significant cost increase, Group EBITDA is highly leveraged to revenue increases.

Depreciation - Depreciation to increase from $0.7m in FY2015 to $1.2m in F2016, with inclusion of the Gold Coast, based on a 20 year term.

Valuation

Valuation upgraded to $0.85 ps

We have adjusted our Price Target from $0.70 ps to $0.85 ps, from the change in cost base and inclusion of the Gold Coast, based on a Sum of Parts valuation, supported by a Cash Flow Valuation:

- A Sum of Parts valuation of $74m ($0.85 ps), based on:
  - An EV:EBITDA value of $62m ($0.71 ps), based on multiple of 9x EBITDA for FY2017, the second year of operation of the Gold Coast facility.
  - Forecast Net Cash of $10.3m ($0.11 ps).
  - A Value of $3.5m ($0.04 ps) on the Joint Territory Development Agreement.
- A DCF valuation of $0.87 ps, using a 10% discount rate and a terminal growth rate of 3%.

We regard the above Forecasts as conservative, as they assume low utilization levels, compared to similar launches in the USA, and take no account of the impact and leverage from the expected development of further tunnels in Australia and New Zealand.

These multiples are comparable to other leisure companies in Australia, such as Ardent Leisure, Amalgamated Holdings and Village Roadshow, although those are considerably larger.

Appendix 1: Revenue and Profit Breakdown for Penrith and the Gold Coast

Penrith		FY14	FY15	FY16	FY17	FY18	FY19	FY20	Gold Coast FY16	FY17	FY18	FY19	FY20
Retail													
Hours per Day (8am-11pm)	Hours	15	15	15	15	15	15	15	13	13	13	13	13
Hours pa (364 days)	Hours	1,365	5,460	5,460	5,460	5,460	5,460	5,460	4732	4732	4732	4732	4732
Price per customer	$	90	95	100	100	100	100	100	80	80	85	85	85
Effective Utilisation			**27.5%**	**33.5%**	**35.0%**	**35.0%**	**35.0%**	**35.0%**	**32.0%**	**42.0%**	**46.0%**	**46.0%**	**46.0%**
Retail Revenue	**$m**	**$0.9**	**$5.3**	**$6.6**	**$6.8**	**$6.8**	**$6.8**	**$6.8**	**$4.4**	**$5.7**	**$6.6**	**$6.6**	**$6.6**
Professional													
Hours per day	Hours	3.5	3.3	3.4	3.6	3.7	3.7	3.7	1.00	1.05	1.10	1.15	1.20
Utilisation Hours	Hours	700	1200	1250	1300	1350	1350	1350	365	383	402	420	438
Price per Hour	$	1200	1250	1290	1330	1360	1380	1400	1000	1050	1100	1150	1200
Professional Revenue	**$m**	**$0.8**	**$1.5**	**$1.6**	**$1.7**	**$1.8**	**$1.9**	**$1.9**	**$0.4**	**$0.4**	**$0.4**	**$0.48**	**$0.53**
Merchandise													
% of Revenue	%	5.0%	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.5%	6.5%	6.5%	6.5%	6.5%
Merchandise Revenue	**$m**	**0.04**	**0.26**	**0.33**	**0.34**	**0.34**	**0.34**	**0.34**	**0.31**	**0.40**	**0.46**	**0.46**	**0.47**
Food & Drinks (Net) (upRaw)	$m	0.00	0.09	0.12	0.16	0.16	0.16	0.16	0.07	0.09	0.10	0.10	0.10
Total Revenue	**$m**	**1.7**	**7.1**	**8.6**	**9.1**	**9.2**	**9.2**	**9.2**	**5.1**	**6.6**	**7.6**	**7.68**	**7.73**
Increase				*21.4%*	*5.0%*	*1.2%*	*0.3%*	*0.3%*		*27.8%*	*16.3%*	*0.6%*	*0.6%*
Direct Operating Costs	$m	**-1.6**	**-3.0**	**-3.5**	**-3.6**	**-3.7**	**-3.7**	**-3.7**	**-2.3**	**-2.8**	**-3.3**	**-3.3**	**-3.3**
Facility EBITDA	$m	**0.2**	**4.1**	**5.1**	**5.4**	**5.5**	**5.5**	**5.5**	**2.8**	**3.7**	**4.3**	**4.4**	**4.4**
Increase				*25.9%*	*5.4%*	*1.1%*	*0.2%*	*0.3%*		*33.6%*	*16.6%*	*1.2%*	*1.3%*
EBITDA Margin		**10.7**	**57.6**	**59.7**	**59.9**	**59.8**	**59.8**	**59.8**	**54.3**	**56.7**	**56.8**	**57.2**	**57.6**

Combined Results		FY14	FY15	FY16	FY17	FY18	FY19	FY20
Combined Revenue	$m	**1.7**	**7.1**	**13.8**	**15.6**	**16.8**	**16.9**	**16.9**
Increase	*%*		*307.4*	*93.7*	*13.6*	*7.6*	*0.4*	*0.4*
Combined Facility EBITDA	$m	***0.2***	***4.1***	***7.9***	***9.1***	***9.8***	***9.9***	***10.0***
Increase	*%*		*2095.9*	*94.1*	*15.3*	*7.4*	*0.6*	*0.7*
Facility Margin	*%*		*57.6*	*57.7*	*58.5*	*58.5*	*58.6*	*58.8*
Group Corporate Costs	$m	**-1.3**	**-2.0**	**-2.2**	**-2.2**	**-2.3**	**-2.4**	**-2.5**
Group EBITDA	$m	**-1.1**	**2.1**	**5.8**	**6.9**	**7.5**	**7.5**	**7.5**
Increase	*%*		*-287.3*	*177.1*	*20.1*	*8.3*	*0.2*	*-0.4*
Group Margin	*%*		*29.4*	*42.0*	*44.5*	*44.8*	*44.7*	*44.3*
Depreciation (20 years) Penrith	$m	-0.2	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Gold Coast	$m			-0.5	-0.5	-0.5	-0.5	-0.5
Amortisation - site rehabilitation	$m	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
EBIT	**$m**	**-1.3**	**1.4**	**4.6**	**5.7**	**6.3**	**6.3**	**6.3**
Interest (Net)	$m	-0.2	-0.3	0.0	0.3	0.4	**0.4**	**0.6**
Pre-Tax Profit	$m	**-1.5**	**1.1**	**4.6**	**6.0**	**6.7**	**6.7**	**6.9**
Tax	$m	0.0	0.0	-1.0	-1.8	-2.0	-2.0	-2.1
Net Profit	$m	**-1.5**	**1.1**	**3.6**	**4.2**	**4.7**	**4.7**	**4.8**
Group Margins - EBITDA	%	**-63.9**	**29.4**	**42.0**	**44.5**	**44.8**	**44.7**	**44.3**
Group Margins - EBIT	%	**-76.3**	**19.5**	**33.3**	**36.7**	**37.6**	**37.5**	**37.2**
Issued Capital	m	**87.3**	**87.3**	**87.3**	**87.3**	**87.3**	**87.3**	**87.3**
EPS	¢ ps	**-1.72**	**1.24**	**4.09**	**4.84**	**5.38**	**5.39**	**5.53**

Source IDZ Historical, Veritas Forecasts

Appendix 2: Revenue and EBITDA Matrix for Penrith and the Gold Coast

Penrith

Revenue Matrix - FY2015

		Professional Utilisation (Hours per day)						
		2.0	**2.5**	**3.0**	**3.3**	**3.5**	**4.0**	**4.5**
	15	4.0	4.2	4.5	4.6	4.7	5.0	5.2
	20	5.0	5.2	5.5	5.6	5.7	6.0	6.2
	25	6.0	6.2	6.5	6.6	6.7	7.0	7.2
Retail Uitlisation	**27.5**	6.5	6.7	7.0	7.1	7.2	7.5	7.7
%	**30**	7.0	7.2	7.5	7.6	7.7	8.0	8.2
	35	8.0	8.2	8.5	8.6	8.7	9.0	9.2
	40	9.0	9.2	9.5	9.6	9.7	10.0	10.2
	45	10.0	10.3	10.5	10.6	10.7	11.0	11.2
	50	11.0	11.3	11.5	11.6	11.7	12.0	12.2
	55	12.0	12.3	12.5	12.7	12.7	13.0	13.2
	60	13.0	13.3	13.5	13.7	13.8	14.0	14.2
	65	14.0	14.3	14.5	14.7	14.8	15.0	15.2
	70	15.0	15.3	15.5	15.7	15.8	16.0	16.2
	75	16.0	16.3	16.5	16.7	16.8	17.0	17.3
	80	17.0	17.3	17.5	17.7	17.8	18.0	18.3

Source: Veritas   Veritas Forecasts

Penrith

EBITDA Matrix - FY2015

		Professional Utilisation (Hours per day)						
		2.0	**2.5**	**3.0**	**3.3**	**3.5**	**4.0**	**4.5**
	15	2.3	2.4	2.5	2.6	2.7	2.8	3.0
	20	2.8	3.0	3.1	3.2	3.3	3.4	3.6
	25	3.4	3.6	3.7	3.8	3.9	4.0	4.2
Retail Uitlisation	**27.5**	3.7	3.9	4.0	4.1	4.2	4.3	4.5
%	**30**	4.0	4.2	4.3	4.4	4.5	4.6	4.8
	35	4.6	4.8	4.9	5.0	5.1	5.2	5.3
	40	5.2	5.4	5.5	5.6	5.7	5.8	5.9
	45	5.8	6.0	6.1	6.2	6.2	6.4	6.5
	50	6.4	6.6	6.7	6.8	6.8	7.0	7.1
	55	7.0	7.1	7.3	7.4	7.4	7.6	7.7
	60	7.6	7.7	7.9	8.0	8.0	8.2	8.3
	65	8.2	8.3	8.5	8.6	8.6	8.8	8.9
	70	8.8	8.9	9.1	9.2	9.2	9.4	9.5
	75	9.4	9.5	9.7	9.7	9.8	10.0	10.1
	80	10.0	10.1	10.3	10.3	10.4	10.5	10.7

Source: Veritas   Veritas Forecasts

Model Assumptions

Total Daily Retail Capacity = 15 hours x 36 fliers per hour = 540 fliers per day or 196,560 flier hours pa (ie 364 Days)

Retail Utlisation = Ratio: Daily Utilised Hours (15 hours x 45% = 6.75 hours) x an average of 22 fliers per hour to Total Capacity) ie: (6.75*22)/540= 27.5%

Retail Revenue = Capacity utilisation (27.5%) x annual hours (196,560) x $95 (Average price per flier)

Professional Utilisation = Hours used per day (3.3 hours based on a total hours of 1,200 pa)

Gold Coast

Revenue Matrix - FY2017

		Professional Utilisation (Hours per day)						
		0.0	**0.5**	**1.0**	**1.5**	**2.0**	**2.5**	**3.0**
	15	2.2	2.4	2.6	2.8	3.0	3.2	3.4
	20	2.9	3.2	3.4	3.6	3.8	4.0	4.2
	25	3.7	3.9	4.1	4.3	4.5	4.7	4.9
	30	4.4	4.6	4.8	5.0	5.2	5.4	5.7
	35	5.2	5.4	5.6	5.8	6.0	6.2	6.4
	40	5.9	6.1	6.3	6.5	6.7	6.9	7.1
Retail Uitlisation	**42**	6.2	6.4	6.6	6.8	7.0	7.2	7.4
%	**45**	6.6	6.8	7.0	7.2	7.4	7.7	7.9
	50	7.4	7.6	7.8	8.0	8.2	8.4	8.6
	55	8.1	8.3	8.5	8.7	8.9	9.1	9.3
	60	8.8	9.0	9.2	9.5	9.7	9.9	10.1
	65	9.6	9.8	10.0	10.2	10.4	10.6	10.8
	70	10.3	10.5	10.7	10.9	11.1	11.3	11.5
	75	11.0	11.2	11.5	11.7	11.9	12.1	12.3
	80	11.8	12.0	12.2	12.4	12.6	12.8	13.0

Source: Veritas   Veritas Forecasts

Gold Coast

EBITDA Matrix - FY2017

		Professional Utilisation (Hours per day)						
		0.0	**0.5**	**1.0**	**1.5**	**2.0**	**2.5**	**3.0**
	15	0.9	1.0	1.2	1.3	1.4	1.6	1.7
	20	1.4	1.5	1.7	1.8	1.9	2.1	2.2
	25	1.9	2.0	2.1	2.3	2.4	2.5	2.7
	30	2.3	2.5	2.6	2.7	2.9	3.0	3.1
	35	2.8	2.9	3.1	3.2	3.3	3.5	3.6
	40	3.3	3.4	3.6	3.7	3.8	4.0	4.1
Retail Uitlisation	**42**	3.5	3.6	3.7	3.9	4.0	4.1	4.3
%	**45**	3.8	3.9	4.0	4.2	4.3	4.4	4.6
	50	4.2	4.4	4.5	4.6	4.8	4.9	5.0
	55	4.7	4.8	5.0	5.1	5.2	5.4	5.5
	60	5.2	5.3	5.5	5.6	5.7	5.9	6.0
	65	5.7	5.8	5.9	6.1	6.2	6.3	6.5
	70	6.1	6.3	6.4	6.5	6.7	6.8	6.9
	75	6.6	6.7	6.9	7.0	7.1	7.3	7.4
	80	7.1	7.2	7.4	7.5	7.6	7.8	7.9

Source: Veritas   Veritas Forecasts

Model Assumptions

Total Daily Retail Capacity = 13 hours x 36 fliers per hour = 468 fliers per day or 170,352 flier hours pa (ie 364 Days)

Retail Utlisation = Ratio: Daily Utilised Hours (13 hours x 50% = 6.5 hours) x an average of 30 fliers per hour to Total Capacity) ie: (6.5*30)/468= 41.7%

Retail Revenue = Capacity utilisation 41.7%) x annual hours (170,352) x $80 (Average price per flier)

Professional Utilisation = Hours used per day (ie 0.35 hours based on a total hours of 128 pa)

Professional Revenue = Hours per day at an average $1,050 per professional hour.

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