

AUGUST 2018 NEWSLETTER

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Recent Activity

Armillary Private Capital has seen an upswing in activity over the winter months as the number of owners looking to start the process of exiting their business continues to rise. Eight ongoing engagements of this nature have been a major focus over the past quarter. Off the back of this increased activity, we have launched our Business Broking arm as a natural extension of our existing services. The Armillary Business Broking service targets small to medium sized business owners looking to apply the sophistication of an investment bank as part of their business exit strategy.

We have been working with several parties on exit readiness plans that deliver an integrated package of valuation, governance, management processes, and capital market solutions to owners planning for their exit and succession. Owners should be ready to take advantage of an opportunistic approach or undertake a planned process to ensure the full spectrum of potential acquirers is considered, and maximum value for the shareholding is achieved.

Our broad range of advisory and educational tools have been used by a number of clients this quarter to help them ensure all aspects of their business are in alignment with company objectives. In the past three months Armillary have conducted a dozen Income/Outcome courses all across New Zealand improving the business acumen and an understanding of the language of finance for roughly 200 attendees. Armillary is hosting a public Income/Outcome training course in Auckland on November 1st and 2nd with a limited number of seats remaining. To secure your place on this course, contact Josh at jschreiber@armillary.co.nz.

Beyond our training and advisory services, we have been involved in a number of equity raises and acquisition mandates, as well as continuing to develop our equity crowd funding business, Crowdsphere.

In addition, as managers of the Unlisted Securities Exchange ([USX](#)) we have been delighted to see the platform achieve some significant milestones in recent months; Martin Aircraft Company was listed as a new Issuer, Hobson Wealth Partners has joined as a new Broker, and Skyline Enterprises reached a market capitalisation of \$1b.

Opportunities

We are currently working on several investment banking mandates including:

Retirement village and aged care roll-up

Bringing together a number of existing facilities into a new entity with a pipeline of ongoing development and acquisition opportunities. Majority stake available. Transaction size c\$30m.

Direct carrier billing and digital content platform

New Zealand owned business with global footprint and proprietary platform including partnerships with large telco's and aggregators. Majority or 100% stake available. Transaction size \$5-10m.

Social media listening product

Second stage funding for a bespoke enterprise level SaaS solution that allows brand owners to monitor and interpret the impact of social interactions across multiple social and digital media channels. Great customer base and Annual Recurring Revenue approaching \$0.5m. Transaction size c\$0.5m.

Heliase

Heliase is a New Zealand start-up that is applying new blockchain technology to develop products for the Intellectual Property market. Heliase has had discussions with Centrality to take the company through a TGE (token generating event). Armillary have been engaged to raise capital in exchange for a 20% equity stake in Heliase. In this capital raise, Heliase are also offering Company Tokens at a discount of 50%. The Tokens are convertible back to equity after 12 months from issue. If the company is successful in on-boarding revenue clients the upside to an early stage investor will be substantial.

Data-led workplace safety

Follow on funding for rapid growth technology business focused on a data-led revolution in workplace safety. By building a large (over 20 million dangerous locations already mapped) shared database the aim is to use data, not compliance, to dramatically improve safety through people focused, real-time location awareness. Blue-chip corporate customers in over ten countries. \$0.25 – 2.0m investment sought in either convertible loan notes or equity.

If you are interested in any of these opportunities, please contact any of the team.

Annual ROCE Report

In June Armillary published its annual ROCE report. This is the eighth year that Armillary has completed this review. Each organisation's Return on Capital Employed (ROCE) is a function of its profitability and how efficiently it utilises its asset base. ROCE compares earnings before interest and tax (EBIT) to capital employed (CE).

The review has examined the 2017 financial year statements of 156 organisations listed on NZX, NZAX, NXT, USX and a selection of Crown Entities. In addition, we included a separate sample of 245 private companies.

Key points from the review are:

- Companies listed on the NZX recorded a median ROCE of 8.0%, while privately held companies achieved 12.7%. Companies listed on the NZAX/NXT were the worst performers with a median ROCE of 3.1%, while USX issuers had median ROCE was 5.8%.
- The best performing company was NZX listed a2 Milk with a ROCE of 153.6%, followed by USX listed Zespri with ROCE of 136.1%.
- As in previous years, the median NZX ROCE underperformed compared to companies in comparable international markets. Companies listed on the S&P/ASX 200 recorded median ROCE of 12.8%, whilst the S&P 500 and EUROSTOXX 50 each recorded a median ROCE of 14.8% and 9.5% respectively.

[Click here](#) to view the full report.

Celebrating Success



TRA's partners: Andrew Lewis, Amber Coulter, Antony Ede and Connon Bray

Insight company, The Research Agency (TRA) is going from strength to strength as it develops into new and emerging fields in the data analytics space.

Founded in 2007 by Andrew Lewis and Amber Coulter as a boutique two-person research firm, TRA has grown into a wide-ranging insight and data analytics agency employing 43 staff including researchers, data analysts and scientists, planners, marketers and designers. "It's not the same business as when we started", say Amber Coulter.

TRA now lists some of New Zealand's largest businesses as key clients including Spark, Mercury, Air New Zealand, VTNZ and Lion, as well as public sector organisations such as NZTA, Inland Revenue and Auckland Transport.

But perhaps the biggest change in TRA's business in the past eleven years has been its move into the data analytics, machine learning and AI space. "Several years ago, we identified that this would be a key driver of future growth not just for TRA but for all businesses", says Amber Coulter.

As well as incorporating these capabilities into its client work, TRA has recently launched a Labs function to channel this skill set into the creation of scalable software-as-a-service (SaaS) products. The first of these was Zavy, an analytics

tool that gives brands a strategic understanding of their performance on social media. Zavy was established two years ago and has since grown its client base to include many of New Zealand's largest organisations. After a successful capital raising process in 2017 with Armillary and Crowdsphere, Zavy is now in second-stage funding.

Another product launched out of TRA Labs is Paydar which provides retail and hospitality businesses with the ability to tap into the power of data and AI to assist decision making. Paydar is already gaining a foothold in the New Zealand market, and TRA has plans to market the product in Australia and the UK.

"We're putting a lot of energy into supercharging the growth of our Lab's products at the moment," says Amber Coulter. "There's no reason these solutions can't be pushed out to the world." In contrast to TRA's traditional consulting business, the benefit of SaaS products like Paydar and Zavy is that they can be easily scaled, making them a key driver of future growth for TRA.

We are proud to have supported TRA's growth in recent years both from an advisory and capital raising perspective

Looking Ahead

We have some exciting innovations outside the bounds of just raising equity that we are working on for our equity crowd funding platform as well as a number of new offers in the pipeline. Keep an eye on the Crowdsphere [website](#) for more information.

As the sustainability conversation starts to heat up around New Zealand, we are in the final stages of releasing a sustainability think piece. This paper will detail our commitment to the issue by including a special offer for any businesses working in the sustainability sector as we acknowledge the fine balance between social benefit and economic benefit for stakeholders.