

Indoor Skydive Australia Group

Buy

Gold Coast Delay to Impact FY16 Earnings Estimates

Consumer Services

24 December 2015

Estimate Changes

Ticker	IDZ
Stock Price	\$0.390
Target Price	\$0.54
Forecast Capital Return	38.5%
Forecast Dividend Yield	0.0%
Forecast Total Return.	38.5%

Company market data

Market Cap.	\$46.4m
Enterprise Value	\$40.8m
52 week range	\$0.35 - \$0.60
Shares out.	119.0m

Estimates changes

	2015a	2016e	2017e	2018e
Core NPAT - old	(1.7)	1.0	5.0	6.7
Core NPAT - new	(1.7)	(0.1)	3.9	6.1
% Change	0.0	-111.1	-20.4	-8.9
Core EPS dil. (cents) - old	(1.7)	0.8	4.2	5.6
Core EPS dil. (cents) - new	(1.7)	(0.1)	3.3	5.1
% Change	0.0	-111.1	-20.4	-8.9
DPS (cents) - old	0.0	0.0	0.0	0.0
DPS (cents) - new	0.0	0.0	0.0	0.0
% Change	0.0	0.0	0.0	0.0

Share price performance

IDZ vs. ASX Small Industries (XSI) (rebased index)



Analysts

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All figures are in AUD unless otherwise specified.

Event

IDZ has announced further delays to the launch of the Gold Coast indoor skydive centre. Commercial launch date is now scheduled for late January / early February 2016.

The first test flight milestone for tunnel commission was successfully performed this week, with remaining commissioning work to be performed over the coming month.

Total project costs are also expected to increase to \$13 - 13.5m, a 10% increase on budget.

Impact

The delay in the opening of the tunnel impacts the earnings potential for FY16, particularly as it is expected to open towards the end of the peak holiday period.

Previous expectations for launch was September 2015, before being pushed out to October - December, which would have coincided with the Schoolies and the Christmas holiday period.

We understand that the delay is due to complications with the sophisticated componentry of the build. All other items including instructor training and the implementation of the operating and booking systems are ready for commencement.

We have revised our earnings estimates in FY16 to reflect the lower revenue from reduced operating days and lower margins as costs are front ended for opening.

Investment View

We retain our **BUY** rating however reduce our target price to \$0.54 to reflect the downgrade in near term earnings.

With the rollout of new centres over the coming 12 months, IDZ is on the verge of EBITDA positive earnings and significant operating leverage.

Trading on a 6.4x FY17 EBITDA multiple, a 30% discount to the XSI, we believe IDZ remains undervalued.

Y/E June 30	2015a	2016e	2017e	2018e
EBITDA	(0.8)	1.6	6.4	8.0
EV/EBITDA	(48.9)x	25.4x	6.4x	5.1x
Core NPAT	(1.7)	(0.1)	3.9	6.1
Core EPS (Diluted) cents	(1.7)	(0.1)	3.3	5.1
P/E	(23.0)x	(428.3)x	11.8x	7.6x
EPS growth	(54.3)%	(94.6)%	(3,740.6)%	53.9%
DPS (cents)	0.0	0.0	0.0	0.0
Yield	0.0%	0.0%	0.0%	0.0%
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%
Net Tangible Assets (\$/share)	0.24	0.24	0.27	0.33

All figures are in AUD.

**Indoor Skydive (IDZ)** Market Cap: \$046m Last Price: \$0.39 Target Price: \$0.54 **BUY**

Key Stock Data					
Year Ending Jun	2014a	2015a	2016e	2017e	2018e
<b>EPS (Underlying) (€)</b>	(3.7)	(1.7)	(0.1)	3.3	5.1
<i>Growth</i>	48%	-54%	-95%	-3741%	54%
<b>DPS (€)</b>	-	-	-	-	-
<i>Growth</i>	0%	0%	0%	0%	0%
Yield (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0%	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%	0%
<b>P/E (x)</b>	-10.5 x	-23.0 x	-428.3 x	11.8 x	7.6 x
P/E Small Ind. (ex Fin's)	16.2 x	16.1 x	14.6 x	13.3 x	16.1 x
Premium (Discount)	-165%	-243%	-3042%	-11%	-52%
<b>EV/EBITDA (x)</b>	-11.9 x	-48.9 x	25.4 x	6.4 x	5.1 x
EV/EBITDA Small Ind.	17.2 x	18.9 x	10.2 x	9.2 x	8.5 x
Premium (Discount)	-169%	-359%	148%	-30%	-40%
<b>FCF/Share (\$)</b>	- 0.18	- 0.08	- 0.09	0.05	0.05
Price/FCPS (x)	-2.2 x	-5.0 x	-4.3 x	7.7 x	7.3 x
Free Cash Flow Yield (%)	-46%	-20%	-23%	13%	14%

Profit and Loss (\$m)					
Year Ending Jun	2014a	2015a	2016e	2017e	2018e
<b>Revenue</b>	1.2	6.4	9.2	18.9	20.2
<i>Growth</i>	100%	430%	44%	105%	7%
<b>EBITDA</b>	(3.4)	(0.8)	1.6	6.4	8.0
<i>Growth</i>	10%	-76%	-293%	297%	26%
Dep'n & Amort	(0.5)	(1.0)	(1.8)	(2.1)	(2.0)
<b>EBIT</b>	(4.0)	(1.9)	(0.2)	4.3	6.0
<i>Growth</i>	407%	-53%	-88%	-2038%	39%
Net Interest Expense	(0.1)	(0.1)	0.1	(0.3)	0.1
<b>Profit Before Tax</b>	(4.1)	(2.0)	(0.1)	3.9	6.1
Tax	1.4	0.2	0.0	0.0	0.0
Tax Rate (%)	34%	11%	0%	0%	0%
Minorities	0.0	0.0	0.0	0.0	0.0
<b>NPAT (Underlying)</b>	(2.7)	(1.7)	(0.1)	3.9	6.1
<i>Growth</i>	197%	-36%	-94%	-3741%	54%
One-Off Items	0.0	0.0	0.0	0.0	0.0
<b>NPAT (Reported)</b>	(2.7)	(1.7)	(0.1)	3.9	6.1
<b>EPS (Underlying) (€)</b>	(3.7)	(1.7)	(0.1)	3.3	5.1
<i>Growth</i>	48%	-54%	-95%	-3741%	54%
<b>EPS (Reported) (€)</b>	(3.7)	(1.7)	(0.1)	3.3	5.1

Balance Sheet (\$m)					
Year Ending Jun	2014a	2015a	2016e	2017e	2018e
<b>Cash</b>	1.4	5.6	5.6	5.6	5.6
Inventory	0.0	0.0	0.0	0.0	0.0
Current Receivables	0.3	0.8	1.2	2.4	2.6
PPE	17.2	23.9	35.3	35.3	35.4
Intangibles	1.2	0.7	0.5	0.4	0.3
Other	1.4	1.6	1.6	1.6	1.6
<b>Total Assets</b>	<b>21.5</b>	<b>32.7</b>	<b>44.2</b>	<b>45.4</b>	<b>45.5</b>
Current Payables	1.1	2.0	2.9	6.0	6.4
ST Debt	1.5	0.0	0.0	0.0	0.0
LT Debt	0.0	0.0	10.7	4.7	(1.7)
Provisions	2.3	0.1	0.2	0.3	0.3
Other	0.9	1.3	12.0	6.0	(0.4)
<b>Total Liabilities</b>	<b>5.8</b>	<b>3.4</b>	<b>15.1</b>	<b>12.3</b>	<b>6.3</b>
<b>Net Assets</b>	<b>15.7</b>	<b>29.2</b>	<b>29.1</b>	<b>33.1</b>	<b>39.1</b>
Equity & Reserves	19.6	34.8	34.8	34.8	34.8
Retained Profits	(3.8)	(5.6)	(5.7)	(1.7)	4.3
<b>Shareholders Equity</b>	<b>15.7</b>	<b>29.2</b>	<b>29.1</b>	<b>33.1</b>	<b>39.1</b>
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>15.7</b>	<b>29.2</b>	<b>29.1</b>	<b>33.1</b>	<b>39.1</b>
<b>Metrics</b>					
Working Capital	- 1.8	- 2.6	- 3.2	- 5.2	- 5.5
Working Capital/Sales (%)	-148%	-41%	-34%	-27%	-27%
NTA	14.5	28.5	28.6	32.7	38.9
NTA/Share (\$)	0.2	0.2	0.2	0.3	0.3

Cashflow (\$m)					
Year Ending Jun	2014a	2015a	2016e	2017e	2018e
<b>EBIT</b>	(4.0)	(1.9)	(0.2)	4.3	6.0
Dep'n & Amort	0.5	1.0	1.8	2.1	2.0
Net Interest	(0.1)	(0.1)	0.1	(0.3)	0.1
Tax	0.0	0.0	0.0	0.0	0.0
Change in WC	0.6	0.4	0.5	1.8	0.3
Other	2.3	1.3	0.0	0.2	0.0
<b>Operating Cash Flow</b>	<b>(0.6)</b>	<b>0.7</b>	<b>2.3</b>	<b>8.0</b>	<b>8.4</b>
<i>Growth</i>	-15%	-217%	236%	249%	5%
Capex	(12.5)	(8.8)	(13.0)	(2.0)	(2.0)
Acquisitions	0.0	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0
Other	(0.4)	(1.1)	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>(12.9)</b>	<b>(9.9)</b>	<b>(13.0)</b>	<b>(2.0)</b>	<b>(2.0)</b>
Equity Raised	9.8	13.8	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Net Borrowings	(0.5)	(1.5)	10.7	(6.0)	(6.4)
Other	0.0	0.0	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>9.3</b>	<b>12.3</b>	<b>10.7</b>	<b>(6.0)</b>	<b>(6.4)</b>
FX / Non Cash Items	0.0	0.1	0.0	0.0	0.0
<b>Change in Cash</b>	<b>(4.1)</b>	<b>3.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Metrics</b>					
FCF	(13.0)	(8.1)	(10.7)	6.0	6.4
Gross Cash Conversion	15%	-100%	136%	131%	103%
Capex/Sales (%)	-1028%	-136%	-141%	-11%	-10%
Capex/Depreciation (x)	23.0 x	9.9 x	7.1 x	1.0 x	1.0 x

1H/2H Results (\$m)					
Item	2H13	1H14	2H14	1H15	2H15
Revenue	0.0	0.0	1.2	3.1	3.3
EBITDA	(0.4)	(1.1)	(2.3)	(1.6)	0.8
EBIT	(0.4)	(1.1)	(2.9)	(2.2)	0.3
NPAT (Underlying)	(0.5)	(1.2)	(1.5)	(2.0)	0.3
EPS (€)	(2.2)	(2.0)	(2.1)	(1.9)	0.3
DPS (€)	0.0	0.0	0.0	0.0	0.0
Operating Cash Flow	(0.1)	0.0	(0.6)	0.2	0.4
Capex	(2.4)	(5.3)	(7.1)	(2.8)	(6.0)
FCF	(2.6)	(5.3)	(7.7)	(2.6)	(5.5)
<b>Skew (% Full Year)</b>					
% Sales	na	0%	100%	48%	52%
% EBITDA	49%	32%	68%	192%	-92%
% NPAT	57%	43%	57%	112%	-19%

Margins, Leverage & Returns					
Year Ending Jun	2014a	2015a	2016e	2017e	2018e
<b>Margins (%)</b>					
EBITDA	-282%	-13%	17%	34%	40%
EBIT	-326%	-29%	-2%	23%	29%
NPAT	-224%	-27%	-1%	21%	30%
<b>Leverage</b>					
Net Debt (Cash) (\$m)	0.1	(5.6)	5.1	(1.0)	(7.4)
Net Debt/EBITDA (x)	0.0 x	6.8 x	3.1 x	-0.2 x	-0.9 x
ND/(ND + Equity) (%)	1%	-24%	15%	-3%	-23%
Interest Cover (x)	-9.5x	-2.2x	4.9x	8.1x	24.3x
<b>Returns (%)</b>					
ROA	-17%	-6%	0%	9%	13%
ROE	-20%	-6%	0%	9%	12%
ROIC	-28%	0%	-1%	13%	19%

Source: Company data, IRESS, Moelis & Company research estimates

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Rating and Price Target History: Indoor Skydive Australia Group (IDZ) as of 21/12/2015



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