

17 October 2024

Digital Driving Q1 Rebound

NEED TO KNOW

- Q1 trading update shows turnaround after earlier restructure
- Cash has remained stable; balance sheet provides optionality
- VRS is leading a Vic gov agency alliance for a large-scale digital twin project; Digital & Spatial continues to drive greater share of revenues and margins

Q1 trading update: highlights a strong turnaround back to profitability (+\$0.6m unaudited) following the headwinds experienced and business restructure in 2H24. Management has stated that it expects this improved performance to be embedded for the remainder of FY25.

Restructure provides even stronger foundation: achieved \$3.6m in annualised savings with renewed focus on larger key client projects. Veris is well placed to drive margin improvement and has the balance sheet strength to support ongoing capital management and potential M&A.

Digital continues to drive greater share of revenues (now ~17%): major recent new partnerships including the 3 year Digital Twin Victoria deal are helping position Veris strongly as a leader in spatial data services. We expect growth in the digital segment to continue supporting margin expansion.

Investment Thesis

Well diversified with unique digital capabilities: VRS is well positioned to grow revenue but more importantly margins, with a strong diversified pipeline across a range of sectors (incl infrastructure, property, defence & resources) and key major clients. Newly commercialised end-to-end digital offerings (data hosting, 3D and Digital Twin platforms) and spatial data expertise adds significantly to VRS' competitive advantage.

Balance sheet adds to position of strength: high cash balance has led to significant operational benefits relating to various supply arrangements while also supporting an ongoing buyback program and giving VRS the ability to capitalise on value accretive opportunities that may arise, to further differentiate its spatial data capabilities.

Management execution: since the turnaround in FY21 under new management, the company has seen an improvement of more than \$17m to profitability. The streamlining of the core business is enabling VRS to focus on its longer-term strategy which is increasingly leveraging its national scale and strong position in digital consulting services and spatial data analytics.

Valuation

Our valuation is now \$0.23 per share (vs \$0.24/share prev). This assumes the business will be profitable going forward with single digit revenue growth near term, EBITDA margins growing to 11% in FY25, D&A expense of \$7.4m in FY25 and annual capex of \$2.5m. At 2.9x EV/EBITDA FY25e, VRS offers significant value particularly when compared peers.

Risks

A key risk includes contract delivery that could follow delays and/or cost blow outs arising from resourcing challenges. A full list of risks is detailed on page 8.

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Veris is Australia's leading end-to-end provider of digital spatial data services to a range of industries nationally, with a particular focus on data capture, hosting and analytics. Spatial data services are used to describe the shape and location of features and boundaries including natural features, buildings, survey marks, and administrative boundary areas. The company also provides services in engineering and property surveying, as well as town planning, project management and urban design. www.veris.com.au

Valuation	A\$0.230 (from A\$0.240)
Current price	A\$0.049
Market cap	A\$25m
Cash on hand	A\$16.1m (30 Jun 2024)

Upcoming Catalysts / Next News

Period	
Ongoing	Contract wins to support earnings
4 months	1H25 results

Share Price (A\$)



Source: FactSet, MST Access

Figure 1: Financial Summary

MARKET DATA - Year end 30 June						12 month share price performance							
Price	\$		0.049										
DCF Valuation	\$		0.23										
Total return	%		369%										
52 week high / low	\$		0.038-0.073										
Market capitalisation	\$m		25										
Shares on issue (diluted)	m		517.5										
INVESTMENT FUNDAMENTALS						PROFIT AND LOSS							
Reported NPAT	\$m	0.9	-4.7	2.0	3.4	3.9	Revenue	\$m	100.9	92.6	97.2	100.1	103.1
Underlying NPAT result	\$m	1.1	-4.7	2.0	3.4	3.9	Operating Expenses	\$m	-91.0	-88.5	-87.0	-88.6	-91.3
Reported EPS - diluted	¢	0.2	-0.9	0.4	0.7	0.7	EBITDA*	\$m	9.8	4.1	10.2	11.5	11.9
Underlying EPS (diluted)	¢	0.2	-0.9	0.4	0.7	0.7	Depreciation & amortisation	\$m	-8.0	-7.9	-7.4	-7.4	-7.4
....Growth	%	nm	nm	nm	68%	13%	EBIT	\$m	1.8	-3.9	2.8	4.1	4.4
Underlying PE	x	41.2	nm	12.4	7.4	6.5	Net interest	\$m	-0.8	-0.6	-0.7	-0.7	-0.5
Operating cash flow per share	¢	1.5	1.5	2.0	2.3	2.4	Non-operating income	\$m	-0.1	0.0	0.0	0.0	0.0
Free cash flow per share	¢	-0.5	0.1	0.3	0.6	0.6	Pre-tax profit	\$m	0.9	-4.4	2.0	3.4	3.9
Price to free cash flow per share	x	nm	47.2	17.2	8.9	8.1	Tax expense	\$m	0.0	-0.3	0.0	0.0	0.0
FCF yield	%	-5.9%	2.1%	5.8%	11.2%	12.4%	Reported NPAT	\$m	0.9	-4.7	2.0	3.4	3.9
Dividend	¢	0.15	0.0	0.0	0.0	0.0	Adjustments to underlying	\$m	0.2	0.0	0.0	0.0	0.0
Payout	%	74%	0%	0%	0%	0%	Underlying NPAT	\$m	1.1	-4.7	2.0	3.4	3.9
Yield	%	1.8%	0.0%	0.0%	0.0%	0.0%	Weighted average basic shares	m	521.8	512.7	509.4	509.3	509.3
Franking	%	0%	0%	0%	0%	0%	Weighted average diluted shares	m	525.7	524.4	519.4	517.5	517.5
Enterprise value (excl lease liabilities) \$m		30.9	13.8	11.9	8.5	4.7	GROWTH PROFILE						
EV/Sales	x	0.3	0.1	0.1	0.1	0.0	Revenue growth	%	-1.1	-8.2	5.0	3.0	3.0
EV/EBITDA	x	3.1	3.4	1.2	0.7	0.4	EBITDA growth	%	nm	-58.7	151.3	12.9	3.0
EV/EBIT	x	17.1	-3.6	4.3	2.1	1.1	EBIT growth	%	nm	nm	nm	47.3	8.0
Price to book (NAV)	x	0.6	0.4	0.3	0.3	0.3	Underlying NPAT growth	%	nm	nm	nm	67.3	13.2
Price to NTA	x	0.6	0.4	0.3	0.3	0.3	Underlying EPS growth	%	nm	nm	nm	68.0	13.2
							DPS growth	%	n/a	-100.0	n/a	n/a	n/a
KEY RATIOS						BALANCE SHEET							
EBITDA margin	%	9.8	4.4	10.5	11.5	11.5	Cash	\$m	17.3	16.1	18.1	21.4	25.2
EBIT margin	%	1.8	-4.2	2.9	4.1	4.3	Receivables	\$m	14.1	14.6	16.9	17.5	18.0
NPAT margin (underlying)	%	1.1	-5.1	2.1	3.4	3.8	Other	\$m	7.7	6.0	6.2	6.4	6.6
Underlying ROE	%	3.7	nm	6.9	10.4	10.6	Current assets	\$m	39.1	36.8	41.2	45.3	49.9
Underlying ROA	%	1.5	nm	2.7	4.5	5.1	Property, plant & equip incl ROUA	\$m	26.2	21.7	31.8	27.0	22.1
Net tangible assets per share	¢	5.5	4.5	5.8	6.4	7.1	Goodwill and intangibles	\$m	0.3	0.2	0.1	0.1	0.0
Book value per share	¢	13.3	12.2	15.1	14.9	14.9	Other	\$m	4.0	3.8	3.8	3.8	3.8
Net debt / (net cash)	\$m	-12.3	-11.2	-13.1	-16.5	-20.3	Non current assets	\$m	30.4	25.7	35.7	30.8	25.9
Interest cover (EBIT / net interest)	x	-2.2	nm	3.8	6.1	8.1	Total assets	\$m	69.5	62.4	77.0	76.1	75.7
Gearing (net debt / EBITDA)	x	nm	nm	nm	nm	nm	Payables	\$m	7.2	9.5	10.0	10.3	10.6
Leverage (net debt / (net debt + equity))	x	nm	nm	nm	nm	nm	Borrowings	\$m	5.0	5.0	5.0	5.0	5.0
							Other incl lease liabilities	\$m	28.4	24.9	32.1	27.9	23.7
							Total liabilities	\$m	40.7	39.4	47.1	43.2	39.3
							Net assets	\$m	28.8	23.0	29.9	32.9	36.4
							Shareholder's equity	\$m	28.8	23.0	29.9	32.9	36.4
DUPONT ANALYSIS (on Underlying)						CASH FLOW							
Net Profit Margin	%	1.1	-5.1	2.1	3.4	3.8	EBIT (Cashflow)	\$m	1.8	-3.9	2.8	4.1	4.4
Asset Turnover	x	1.5	1.5	1.3	1.3	1.4	Depreciation & Amortization	\$m	8.0	7.9	7.4	7.4	7.4
Return on Assets	%	1.5	-7.5	2.7	4.5	5.1	Change in Net Operating Assets	\$m	-0.6	0.3	-0.3	-0.2	-0.2
Financial Leverage	x	2.4	2.7	2.6	2.3	2.1	Other items (incl interest)	\$m	-1.2	3.4	0.4	0.5	0.7
Return on Equity	%	3.7	-20.4	6.9	10.4	10.6	Net operating cash flow	\$m	8.0	7.7	10.3	11.8	12.3
							Capital expenditure (PPE)	\$m	-3.5	-1.9	-2.5	-2.5	-2.5
							Lease liability repayment	\$m	-8.0	-5.8	-5.9	-5.9	-6.0
							Acquisitions/divestment/other	\$m	-0.4	0.0	0.0	0.0	0.0
							Investing cash flow	\$m	-11.9	-7.7	-8.4	-8.4	-8.5
							Equity	\$m	0.0	0.0	0.0	0.0	0.0
							Net Increase / (decrease) in loans	\$m	3.9	-0.1	0.0	0.0	0.0
							Dividend/other incl buybacks	\$m	-0.9	-1.1	0.0	0.0	0.0
							Financing cash flow	\$m	3.0	-1.2	0.0	0.0	0.0
							Opening cash	\$m	18.2	17.3	16.1	18.1	21.4
							Net cash flow	\$m	-0.9	-1.2	1.9	3.4	3.8
							Year end cash	\$m	17.3	16.1	18.1	21.4	25.2
							FCF (OCF + capex + lease payment)	\$m	-3.5	0.0	1.9	3.4	3.8

*Note: our EBITDA figure for FY24 includes one-off factors incl asset impairments, restructuring costs and share based payments. Adjusted EBITDA for FY24 was \$6.8m.

Source: VRS reports, MST Access estimates

Source: Company data; MST Access

1Q25 trading update shows strong turnaround

Figure 2: Underlying historical results, including 1Q25 update (unaudited) and MSTe for FY25

Veris Australia \$M	FY22	FY23	FY24	1Q25	FY25e MST
Revenue	92.4	100.9	92.6	24.9	97.2
Gross Profit Margin %	30.4	31.4	32.6	NA	NA
EBITDA	10.0	10.2	6.7	NA	10.7
EBITDA Margin %	10.8	10.1%	7.2%	NA	11.0%
PBT	0.1	1.0	(1.8)	0.6	2.0
PBT Margin %	0.1%	1.1%	(1.7%)	2.3%	2.1%

Source: Company data; MST Access

VRS has reported unaudited profit before tax of \$0.6m for 1Q25, a promising turnaround compared to the \$1.8m underlying loss (before restructuring and one-off costs of ~\$3.0m) reported for FY24 overall. EBIT and PBT margins for the first quarter both improved, at 2.9% and 2.3% respectively, helped by further growth in digital and spatial data-driven consulting and advisory services and a reduction in operating costs following the restructure in 2H24.

Given the continued focus on the digital and spatial segment and recent major contract wins, we expect margins to continue improving, particularly as the business continues to benefit from the pivot away from lower margin legacy related projects (e.g. Victorian based infrastructure engineering related work). Management maintains that recent improved performance in the first quarter is expected to be embedded through the remainder of FY25, as highlighted in the trading update. This is despite ongoing macroeconomic and cost related pressures. The focus on larger projects with major clients in addition to greater focus on digital and data based consulting services and analytics is continuing to drive margin improvement.

FY24 impacted by sector wide challenges

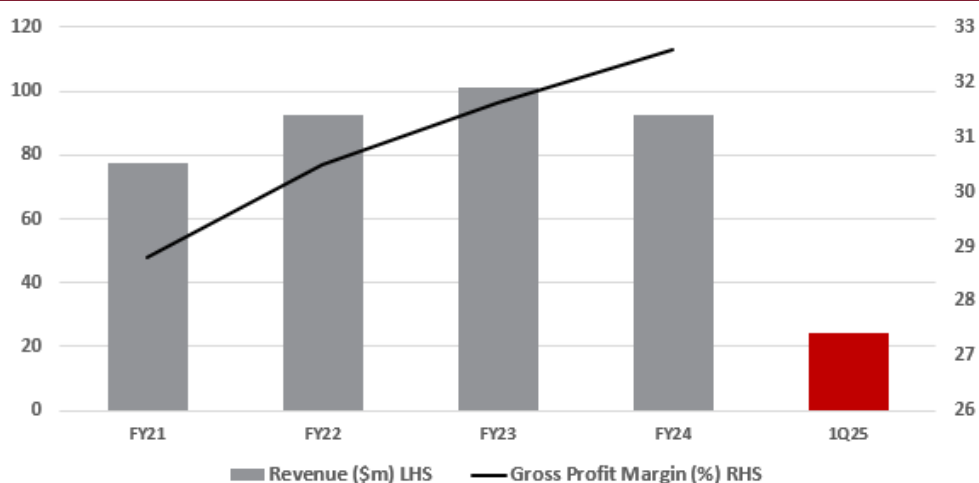
The recent update followed a period of restructuring for the business in 2H24. Weaker overall revenue of \$92.6m in FY24 (-7.9% pcp; implied \$44.3m for 2H24 down from \$48.3m in 1H24), was contributed to by:

- Victoria-specific challenges impacting large-scale infrastructure project commencements and significantly increased industrial action at project sites
- Delays to NSW government sponsored infrastructure projects
- Resourcing constraints and operational disruptions in VRS' QLD operation
- Broader inflationary pressures impacting the sector overall and project economics

These factors contributed to management's response to implement a number of one-off restructuring initiatives (reduction in headcount of 100 in FY24 & organisational wide restructure to adopt fully national operating model), and an ongoing strategic shift away from smaller, low margin projects. Already, the business saw the benefit of these changes in FY24. Key performance and efficiency indicators of note include:

- 18.2% reduction in volume of projects undertaken compared to FY23
- 12% increase in average project size completed
- Gross margins of 32.6%, up from 31.4% in FY23
- \$3.6m annualised cost outs achieved through reduced labour base and operational efficiencies
- D&S segment contributed 17% of total revenue for FY24, up from 11% in FY23, with gross margin per hour also up 20% for the year.

Figure 3: Annual revenue & Gross Profit Margin increase; 1Q25 annualised revenue is \$97.2m, in line with MSTe (+5% pcp)



Source: Company data

Balance sheet gives optionality around capital management and/or M&A

Despite the headwinds in FY24 and company restructure, cash on hand has declined only slightly to \$16.1m (vs \$17.3m at end FY23). Additionally, VRS has undertaken ~\$2.1m in capital management initiations since June 2022, including both share buy backs and dividends (latter paid following FY23 result). The buyback program remains ongoing following the latest update in June this year, allowing VRS to purchase up to a further 10% of shares on issue (equivalent to 50.9m shares) with "timing of purchases dependent on share price and market conditions".

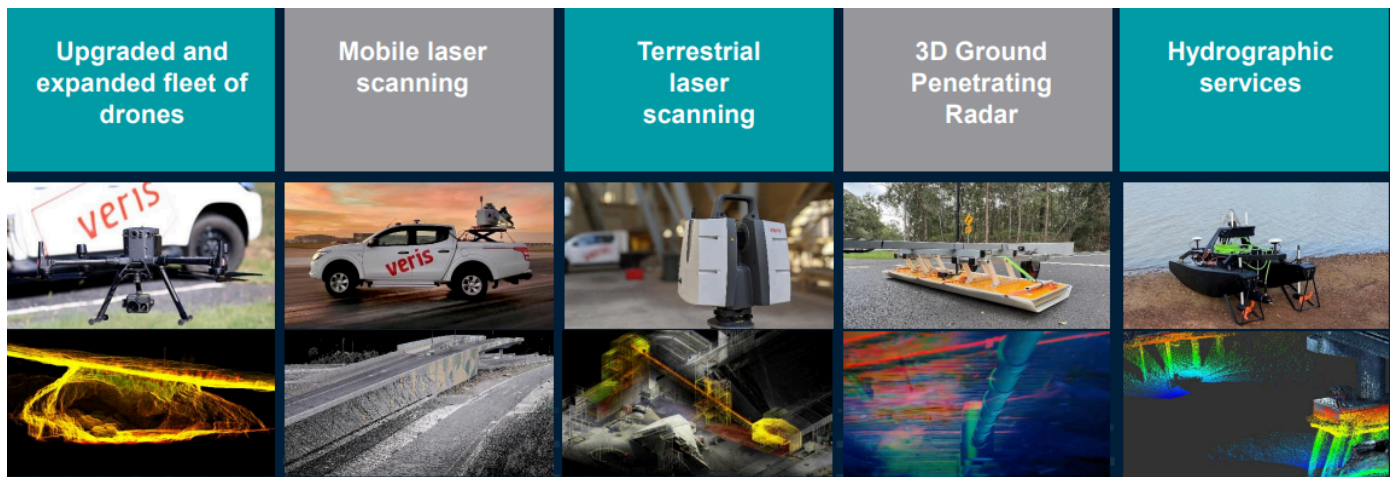
VRS' strong balance sheet underpinned recent restructuring efforts and positions the business well to support ongoing growth initiatives and its healthy pipeline. Regarding its M&A strategy, management has previously stated that: "Veris continues to diligently assess a number of accretive corporate opportunities focusing on adding technical capabilities, strategic scale or geographic presence." There remains more than \$30m of unutilised tax losses and \$5.2m in franking credits at present.

Becoming an industry leader in digital spatial data

Recent major contract wins affirm Veris' market-leading spatial expertise in providing end-to-end solutions to major clients nationally. This follows investment into leading technologies to perform rapid data capture remotely and host data on cloud-based 3D and GIS platforms to enable visualisation of the data and analysis. Importantly, beyond just providing tools and equipment, Veris' spatial data experts have a deep understanding of spatial data to be able to recommend best practice solutions with the end result in mind, while leveraging developed AI and analytics. Recent notables include:

- **Launch of the RoadSiDe platform:** Veris has delivered its cloud-based spatial data and analytics platform for road condition assessments to key clients, including government agencies and a major energy transmission project.
- **Digital Solutions consulting:** Veris provides high-value consultancy services in spatial data, analytics, GIS, and Digital Engineering to clients in Utilities, Transport, and Government, serving as a trusted digital transformation advisor.
- **Key contract wins in Digital Twins/Monitoring/IoT:** Veris secured significant contracts by combining expertise in spatial data collection, 3D modelling, and automated monitoring in a growing market segment.
- **Market penetration of custom spatial platforms:** Veris' bespoke digital platforms are being used across various industries and projects, with added functionality and automation to meet client needs.

Figure 4: Leading 3D data capture technologies



Source: Company data

Figure 5: Leading data platforms that enable visualisation and analysis

<p>RoadSiDe a Veris platform</p>	<p>3SiDe a Veris platform</p>	<p>Vantage a Veris platform</p>
<p>Revolutionising road maintenance</p> <ul style="list-style-type: none"> ■ Rapid, safe 3D data capture of road condition over large distances. ■ Data hosting, visualisation and analysis using our bespoke cloud-based RoadSiDe platform. ■ Powered by AI and spatial analytics. ■ Enables virtual inspections, quantitative and predictive analysis for smarter asset management. 	<p>Data hosting, visualisation & analysis</p> <ul style="list-style-type: none"> ■ Rapid, safe 3D data capture of physical assets such as buildings, vegetation, and infrastructure. ■ Data hosting, visualisation and analysis using our cloud-based 3SiDe platform. ■ Ideal place to create and manage 3D digital twins of physical assets such as buildings, vegetation, and infrastructure. 	<p>Manage data for Greenfields Property</p> <ul style="list-style-type: none"> ■ Provides a cloud-based, central data management platform for Greenfields developments. ■ Information is continually updated and is readily accessible as a Development progresses. ■ Unlocks the power of GIS analysis to empower stakeholders to visualise and interact with data.

Source: Company data

Digital Twin Victoria

Earlier this year, Veris announced it is leading one of three new partnerships announced by Digital Twin Victoria (DTV). A digital twin is a virtual representation of an object or system designed to reflect a physical object accurately. It spans the object's lifecycle, is updated in real-time and uses simulation, machine learning and reasoning to help make decisions. This allows asset owners to monitor assets constantly without being physically on site, which creates major efficiencies, increases strategic value and reduces safety risks. Key capabilities include IoT monitoring sensors, survey accurate 3D models, real time analytics, notifications and alerts, as well as 3D web visualisation and analysis.

The first phase of the Digital Twin Victoria (DTV) project, aimed at digitising the State of Victoria, is now in the process of completion. Veris and its consortium, including nine partners (Wumara Group, Arcadis, Portable, Hexagon, NGIS, RMIT, Symbolix, V2i and Anditi), will continue to enhance the DTV platform over the next few years with new features, data transformations, and integrations. The consortium's expertise spans surveying, engineering, technology design, system hardware integration, remote sensing, research, data science, and spatial machine learning, positioning them to significantly advance the DTV initiative.

Other recent major contract wins showcase digital capabilities

The share of higher margin digital and spatial services work continues to grow contributing 17% of revenue during FY24. We expect this share to continue growing to about a third of earnings, in line with management guidance, as the business continues to benefit from the recent commercialisation of VRS' data and digital solutions. Notable projects announced during FY24 include:

- **WaterNSW's Warragamba Pipeline, NSW:** In November last year, WSP contracted VRS for ongoing work on critical infrastructure supplying 80% of Sydney's untreated water. The contract encompassed 3D laser scanning and modelling of 25km of twin pipelines, to underpin the building of a digital model of twin water transport pipelines. As a follow on to this work, Veris has now been contracted to undertake ongoing real-time automated monitoring to identify updates to ensure continued accuracy of the 3D digital model. The additional works demonstrates strong execution of the initial works required and highlights the recurring nature of digital data services that Veris now provides to existing clients.
- **Central Place Sydney, NSW:** Veris has leading capability in providing 3D ground penetrating radar equipment services (3D GPR), of which according to the company, there are only two available units nationally. Veris has been contracted to undertake subsurface investigations to support a high-voltage network cable to enable the power needs of a large scale CBD industrial/commercial development. 3D GPR will provide 3D data and a complete view of the underground infrastructure, while avoiding service interruptions and other risks often associated with such projects.
- **Rail Revitalisation Project, WA:** John Holland Group has contracted Veris to provide engineering survey services, with works having commenced in March 2024. The contract is worth \$1m over 12 months and follows earlier work across 15 sites across a private rail network in the Pilbara region. The project will capitalise on significant prior investment in high precision, high value, specialist rail data capture technology to provide track geometry data for tamping. It is further demonstration of Veris' focus on key clients and large projects, having worked for John Holland on various high value and large scale projects requiring specialist technology and skillsets.
- **Canberra Light Rail stage 2B, ACT:** Through the use of mobile laser scanning and 3D GPR, Veris has been contracted to provide a digital dataset of the proposed light rail route to support the design stage, with the combined equipment providing minimal disruption to the site and the public in the area.
- **Highway upgrade program, QLD:** 3D GPR will be used to provide data capture services including subsurface utilities investigations to support design phases for planned upgrades to a major highway.
- **Cardinia Shire Council Sealed Roads Program, VIC:** Veris' digital solution is driving sustainable road construction practices, deploying the latest 3D Ground Penetrating Radar technology in addition to mobile laser scanning, to reduce environmental impacts and construction costs and enhance community engagement.
- **Digital Engineering Roadmap, QLD:** Veris is providing consultancy services for a QLD based company with a large national footprint and diverse asset base, to enable its Digital Strategy and Digital Engineering Roadmap.

- **Defence site redevelopments, NSW:** Veris has been engaged on two defence projects to provide engineering surveys and subsurface data capture and utility investigations to support site upgrades/redevelopments.
- **Residential/mixed use subdivisions, VIC:** Five clients engaged Veris to provide large scale property surveys and planning for residential and mixed-use subdivisions.

Orderbook remains consistent; mix and quality continues to improve

The secured forward workload remains steady at \$60m, but the mix of this workload has evolved as management continues to prioritise projects that are higher value and margin supportive (including those that leverage VRS' digital capabilities) and/or support the key client strategy. The unsecured forward pipeline over next two years is in excess of \$200m. The pipeline is underpinned by work for major clients across industries and geographic markets.

Figure 6: All sectors remain growth supportive

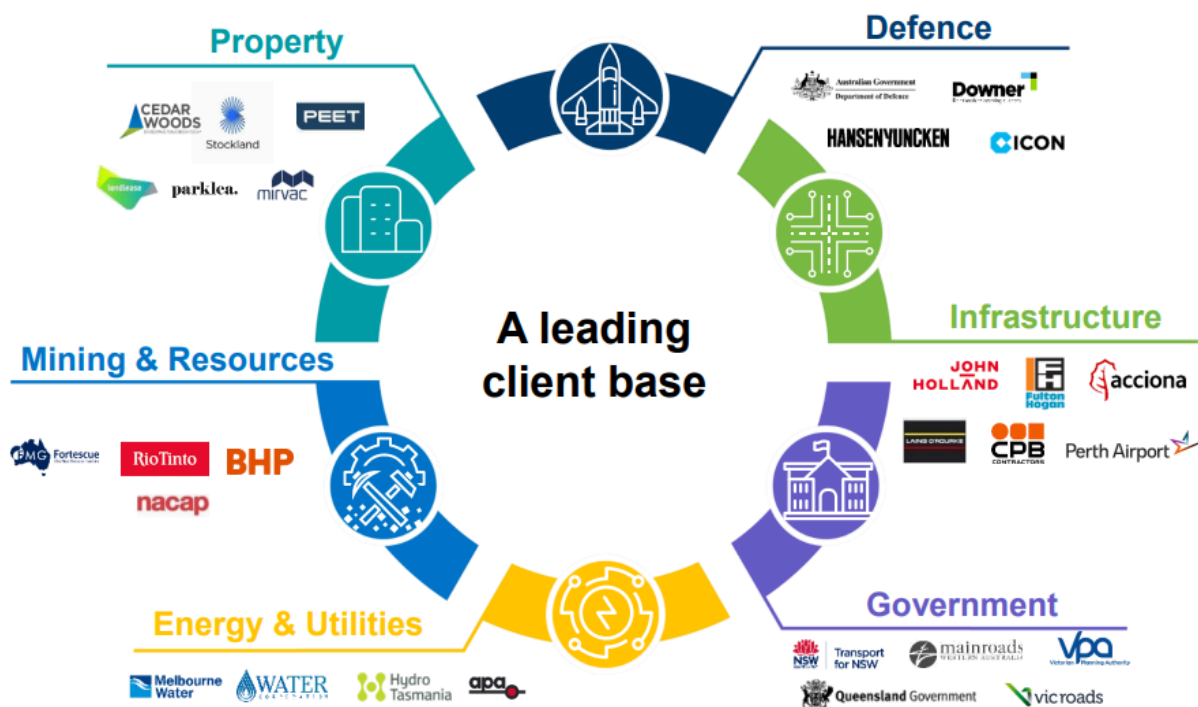
Figure 7: VRS continues to leverage its national scale



Source: Company data

Source: Company data

Figure 8: Notable major VRS clients across sectors



Source: Company data

Valuation

We have updated our near term forecasts, after the rebasing effects from the recent FY24 result. We maintain our expected growth rate of 5% top line growth in FY25, resulting in revenues of \$97.2m (down from our prior estimate of \$105.9m), which is in line with the annualised Q1 result. Assuming an EBITDA margin forecast of 11%, we expect this will lead to EBITDA of \$10.2m. Based on this forecast and at current market prices, VRS currently trades at an EV/EBITDA FY25e multiple of 2.9x (assuming mkt cap of \$25m, loans and lease liabilities totaling \$20.9m as of 30 June, and cash on hand of \$16.1m). At these levels, we continue to believe VRS offers significant value particularly when compared to other comparable companies including Downer EDI (currently trades on EV/EBITDA FY25e multiple of ~5.2x) and Pointerra (still unprofitable and trades on significant sales multiple of ~6.2x FY24A sales vs VRS at ~0.3x FY24A sales). VRS' ongoing buyback program for up to a further 10% of shares on issue continues to provide a strong signal on management's underlying valuation of the business, the company's financial strength and future growth prospects.

DCF valuation updated to \$0.23/share (from \$0.24/share prev)

Our base case DCF valuation, impacted slightly by rebasing impacts from the most recent FY result, continues to see strong potential share price upside if revenue and margins track according to our expectations. Our updated forecast expects moderate top line growth of 5% for FY25 and 3% in FY26, keeping in mind management's continued focus on the quality of the sales mix to drive margin growth, over and above top line growth alone. We also forecast EBITDA margins of 11% in FY25 and 12% in FY26, although there is risk to the upside for margins as the share of digital spatial data revenues continues to grow. For the bottom line, after achieving positive PBT of \$0.6m for Q1, we assume VRS will achieve NPAT of \$2.0m for the full year.

Our DCF valuation assumes a WACC of 10.0% (beta of 1.2x, risk free rate of 4.5%, market risk premium of 5.5%) and a terminal growth rate of 2.5%.

We assume the current share count of 517.5m shares, fully diluted, which includes 8.2m in options/performance rights.

Figure 9: Discounted cashflow valuation

DCF		FY22a	FY23a	FY24a	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e	FY31e
EBIT	\$m	-0.56	1.81	-3.86	2.78	4.09	4.42	4.74	5.07	5.41	5.76
Less: Taxes	\$m	0.00	0.00	-0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Post-tax EBIT	\$m	-0.56	1.81	-4.12	2.78	4.09	4.42	4.74	5.07	5.41	5.76
Plus: D&A	\$m	8.74	8.03	7.92	7.42	7.42	7.44	7.48	7.52	7.56	7.61
Post-tax cash flow	\$m	8.19	9.84	3.80	10.19	11.51	11.86	12.22	12.59	12.97	13.37
Less: Net capex	\$m	-2.43	-3.45	-1.88	-2.50	-2.50	-2.50	-2.50	-2.50	-2.50	-2.50
Less: Change in WC	\$m	-4.59	-0.64	0.26	-0.33	-0.21	-0.21	-0.22	-0.23	-0.23	-0.24
Free cash flow	\$m	1.17	5.74	2.19	7.36	8.80	9.14	9.50	9.86	10.24	10.63
Discounted cash flow	\$m	1.46	6.50	2.25	6.89	7.48	7.07	6.67	6.30	5.95	5.61
Sum of discount streams	\$m	46.0									
Terminal growth		2.5%									
Future value into perpetuity	\$m	145.2									
NPV of terminal value	\$m	76.7									
PV of cash flows	\$m	122.6									
Assumed tax loss value	\$m	30.3									
Add: Net Cash	\$m	-4.7									
Add: Options	\$m										
Equity value	\$m	117.9									
Diluted shares		517.5									
Value per share (A\$)	\$	0.23									
Potential upside		365%									

Source: MST Access

Key Risks

- Project delivery risk that could follow delays and cost blow outs arising from resource challenges.
- Risks associated with potential safety hazards attached to the work and delivery of projects by VRS employees and subcontractors. VRS has a wide range of protocols and programs to mitigate this risk.
- Contract risk relating to legal issues around omissions, incorrect rates and quantities, accepting unfavourable contractual terms, or disputes about contractual terms.

- Commodity and/or resources industry cycle risk, with a downturn or volatility in commodity prices and the resource cycle impacting demand for mining services such as surveying or remote site infrastructure.
- Political risk given both businesses serve clients in the public service through government and defence funding. VRS can also be impacted by major public infrastructure project delays determined by state governments.
- Competitive risk that could follow a competitor undertaking a price-led attack to win market share.
- Employee risk including the sourcing of subcontractors. Difficulty hiring these employees could delay projects and increase costs to VRS.
- Technology risk and cyber security events through loss of data or IT system

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Michael Youlden received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

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Veris (VRS.AX) | Price A\$0.049 | Valuation A\$0.230;

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