

Equity | Australia

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RightCrowd Limited (ASX: RCW, OTCQB: RCWDF)

VIRIATHUS[®]

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Company Description:

RightCrowd Limited is a leading developer of physical security, safety, and compliance solutions. Its products facilitate corporations to automate and enhance their business process. The company generates revenues primarily from its software sales, which consists of up-front license fees, annual subscription fees, and annual support and maintenance. The Presences Control/ Social Distancing Monitoring product line also includes a hardware component. It also provides professional services to its clients.

The company provides solutions that improve security, safety, and compliance for organizational workforces, including employees, contractors, and visitors to sites. It has three key products: Workforce Management, Presence Control, and Access Analytics (also known as RightCrowd IQ). It derives ~70% of its revenues from the US with 85% of its global revenues in FY 2020 coming from outside Australia.

Key Investment Points:

- Currently, >300k firms using compatible access control systems with more than 1.1 million firms having a total turnover of US\$10 million+ adjusting work arrangements due to the COVID-19 pandemic.
- RightCrowd's cybersecurity product, RightCrowdIQ, is deployed at a major Australian financial institution and the Australian operations of a global insurance company to identify potential user access control breaches.
- The company is well-positioned to take advantage of the rebound in the US economy and the global markets when employees return to their workplaces.
- Presents a significant opportunity to expand current products with existing clients and cross-sell new products.
- The current market share of RightCrowd is less than 1% of the total addressable market size, and the partnership channel contributes less than 20% of the total revenue.
- Opportunity to increase revenues through partnership channels as associates have requested additional support to meet growing demand.
- Achieved rapid growth on its patented Presence Control platform. In the first nine months since its launch, the company has sold over 20k badge holder units against the original full-year target of 10k units.
- Added new capacity to manufacture badge holder units and will release enhancements across all products in H2-FY22.
- Aims to drive rapid growth in Presence Control by ramping inventory to support future sales of 100k+ badge holder units. The company has allocated AU\$2.5 million to scale its products.

Financial Data (AUD):

Share Price:	0.335
Market Capitalization (mln):	87.15
Shares Outstanding (mln):	260.15
Float (mln):	91.65
Average Volume (90 Day approx.):	191.22k
52 Week Range:	0.14 – 0.60
Exchange:	ASX



Recent Milestones:

- RightCrowd raised AU\$12.5 million from institutional investors at an issue price of AU\$0.33 per share.
- The proceeds from the placement are being deployed over a 2–3-year time horizon to accelerate sales through partnerships with the key focus on the US markets as it scales new products and commercializes its cybersecurity products, thus ensuring continued progress towards profitability.
- RightCrowd began quoting its shares on the US OTCQB marketplace in June 2021 as US investors have shown a keen interest in the company.

Corporate Contact Information:

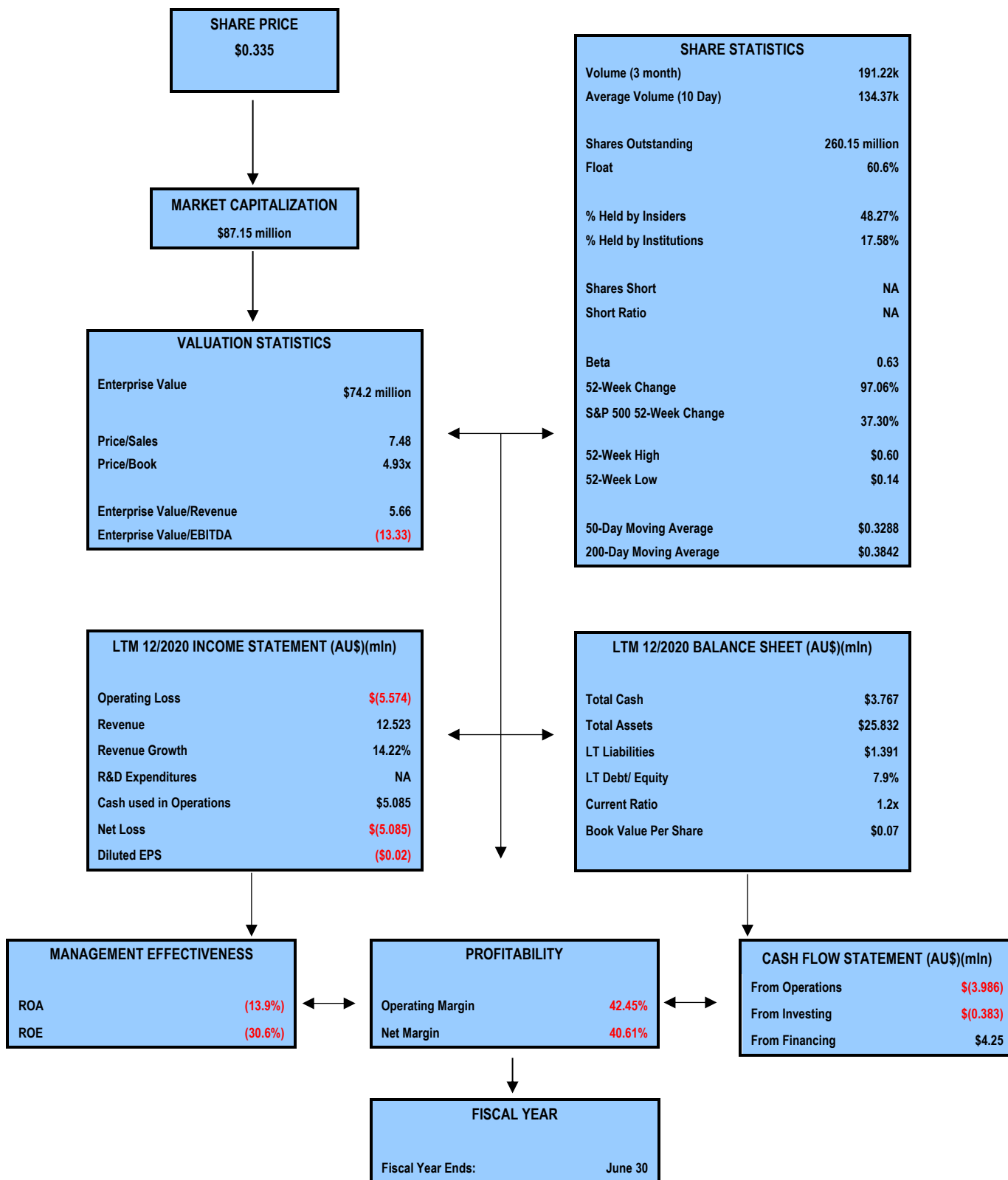
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Balance Sheet (AUS) (Mil)	June 2020
Cash	1.472
Assets	23.692
Shareholders' Equity	15.175
Non-Current Liabilities	1.445
NCL to Equity Ratio	9.5%

P&L Data AUS (Mil)	2019	2020
Revenues	9.379	11.534
R&D	NA	NA
Pre-tax Loss	5.584	9.413
Net Loss	5.521	9.406
EPS	(0.037)	(0.034)

Cash flow: (AUS) (Mil)	2019	2020
From Operations	5.958	3.417
Used in Investing	0.015	0.413
From Financing	4.256	0.438
Net Change in Cash	1.687	3.392

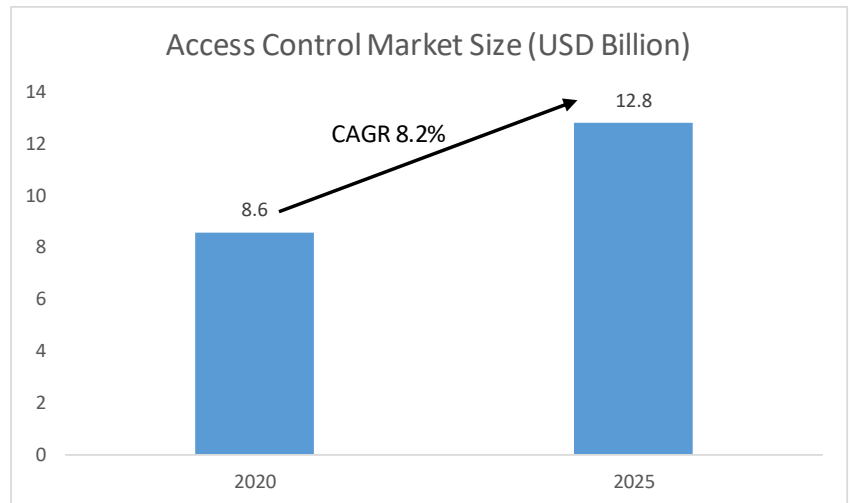
Financial Metrics



Industry Overview

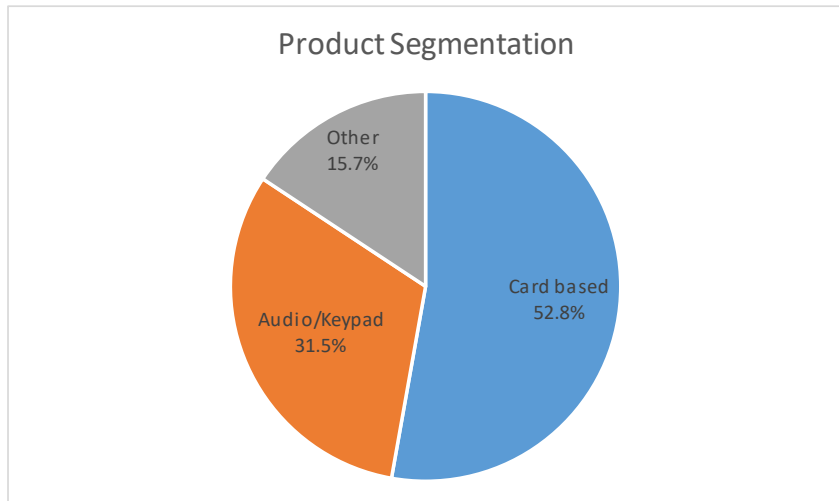
RIGHTCROWD MARKET GROWTH

- According to marketsandmarkets.com, the market size of the global access control system is projected to grow from US\$8.6 billion in 2020 to US\$12.8 billion in 2025. Within this, the biometric reader segment is expected to witness the highest growth rate during the forecast period.



Source: MarketsandMarkets

- The global visitor management market (a sub-segment of the access control market) was at USD 848 mln in 2020 and is expected to grow to USD 1,640 mln by 2025, a CAGR of 14.1%. The growth would be driven by the need to meet regulatory compliance like General Data Protection Regulation (GDPR) and need to track and maintain information of employees and visitors to prevent unauthorized access.
- The market size for physical identity and access management (PIAM) was at US\$789 million in 2020 and this is expected to surge at a CAGR of 14.2%, to US\$1.535 billion in 2025. A PIAM system physically identifies an entity before allowing access. The factors driving growth are security compliance, insider threats and future proofing security operations.
- According to Mordor Intelligence, the Physical Security Information Management (PSIM) market was valued at US\$589 million in 2020. This could expand to US\$1.350 billion by 2026, a CAGR of 14.7%. The integration of IoT with physical security will be a key driver for PSIM growth.
- There are three major varieties of access control systems: card-based systems, audio-based systems, and keypads. The majority of revenue is contributed by card-based systems which generally operate with a scanner that reads either a barcode or chip on the user's card. According to ABI Research, 250 million units are expected to be shipped to corporates in 2022. RightCrowd's systems are compatible with all of these access control technologies.



Source: 360connect.com

- The access control market's future will be heavily influenced by macro themes like digitization of the security industry, the convergence of physical security and cybersecurity, adoption of cloud-based solutions and the expanded use of mobility technologies.
- The market opportunity is also dependent on the installed base of physical access control systems globally, given the company's products interface with and leverage off the physical access control systems of organizations.



Source: MarketsandMarkets

Company Overview

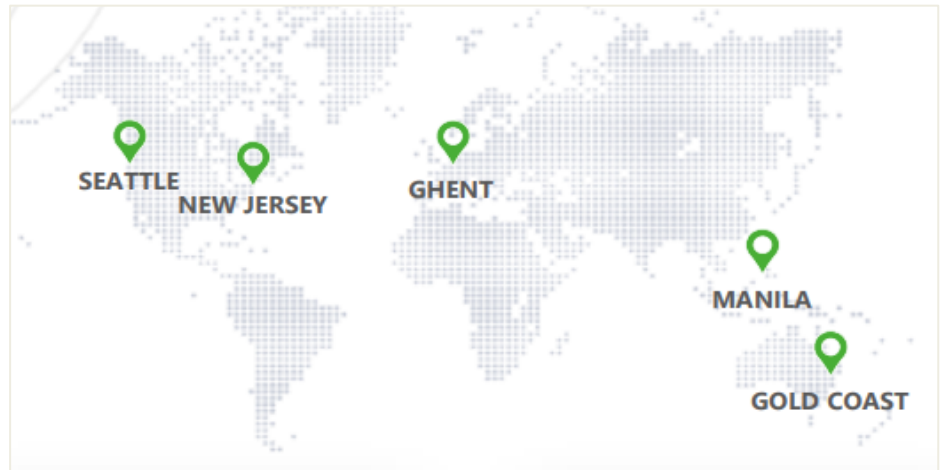
RightCrowd was established in 2004 and is headquartered in Australia. It provides physical security, safety, and compliance software to its clients to improve security, safety, and compliance for their workforce, comprising employees, contractors, and site visitors. The firm offers solutions in workforce access management, presence control, visitor management, access analytics, contact tracing and social distance monitoring.

RightCrowd achieved sales revenue CAGR of 40.6% between FY17-FY20

5 global Top Fortune 100 companies as its customers

Capital raise of AU\$12.5 million to fund growth projects

Growth drivers in place, now execution is the key

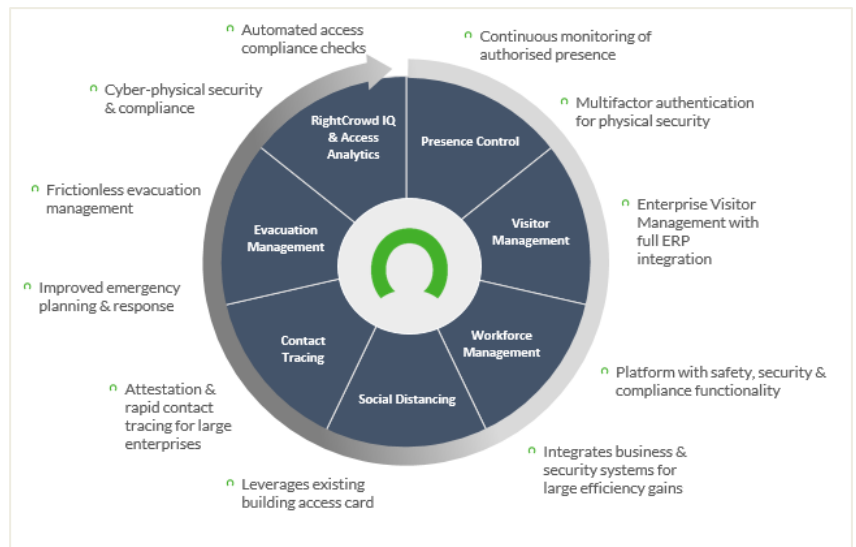


Source: RightCrowd investor presentation

- RightCrowd Enterprise is tailored to satisfy the needs of large projects by including features from various domains and integrating them with the firm's enterprise systems. It is adept and meets the specific needs of customers.
- The company has provided a sales outlook of more than 25k badge holder units and new sales from major new enterprise deals in the Core business unit to touch \$8.0 million of ARR by June 2021.
- In 2019, RightCrowd acquired the Belgian company Ticto NV which is a security wearables vendor. The wearable allows a person to validate whether people are authorized to be at a given place or not.
- RightCrowd is focusing on the US markets to generate revenues. The company has allocated AU\$4 million from its capital raise to boost business in the country.
- The company's Access Analytics product enables organizations to identify and monitor physical access security and compliance risks across their facilities. The solution automates monitoring of privileged physical access, policy compliance, cardholders, access levels, badges, and user access reviews.
- Presence control leverages the building access card to manage physical access efficiently. The RightCrowd badge holder provides both automated security permission and safety validation. It ensures authorization visibility – key to protecting secure areas and intellectual property.
- Workforce access management streamlines the entire process of requesting/approving access and integrates it with the access control system, with a single view of every employee, visitor, or contractor. It also provides employees easy to use self-service tools that empower them in maintaining access compliance.
- Access analytics is functional in assessing access compliance risks across multiple office locations and helps in tracking unauthorized access based on role, location, or policy. It generates physical access reports for a specific team or location and monitors changes in access authorization, thereby mitigating errors and non-compliance.
- With enterprise relationships for core solutions accelerating in the US, the company is expanding in the region by increasing the strength of the

implementation and support teams, besides adding sales, marketing, and executive roles.

- RightCrowd looks to accelerate sales through partnership channels with an allocation of AU\$3.5 million to facilitate growth.
- The company currently counts five global Fortune 100 companies as its customers.
- From 2017-2020, RightCrowd has generated sales revenues at a whopping 40.6% CAGR.
- RightCrowd has introduced its cyber-security product at two major companies to identify potential user access control breaches. The company is commercializing the product in the US and European markets and has earmarked AU\$2 million for this purpose.
- The company generated an ARR of 1.3 million from sales of 17k control social distancing and contact tracing badges. The company aims to clock a healthy revenue growth in the next year with a target to reach sales of 25k badge holder units by June 2021.



Source: RightCrowd investor presentation

Management & Board of Directors

Robert Baker
Non-Executive Chairman

Robert Baker has experience in the services industry in Australia as well as in the UK. His primary expertise is in external and internal audit, financial reporting, internal control assessments and accounting advice. He also has about a decade of board experience, which includes serving in the Finance, Country Admissions (nominations), Partner Evaluation, Income (remuneration) Committees and Managing Partner in the Brisbane Office of Pricewaterhouse Coopers (2008-2013). He is currently the Director of Flight Centre Travel Group Limited and has been in the position since September 2013. Mr. Baker is also a director of Apollo Tourism & Leisure Limited and the Chairman of Goodman Private Wealth Ltd and Neurosensory Limited. He is also an Advisory Board member for several non-profit organizations. Mr. Baker is a Fellow of Chartered Accountants- Australia & New Zealand and graduated from the Australian Institute of Company Directors.

Peter Hill
Managing Director & CEO

Peter Hill founded RightCrowd in 2004 and has been instrumental in growing the company to its current form. In early 2006, he sold Rightcrowd to a Silicon Valley firm, which was then sold to SAP shortly thereafter. In 2007, Hill successfully re-acquired the Company from SAP and spun it as an independent entity. Mr. Hill looks after the company's global business strategy and is responsible for forging partnerships with global physical security vendors. He has been an entrepreneur for a major portion of his 30 years career in the IT industry. He previously founded and helmed two other software start-ups. He also holds a major degree in computer science.

Craig Davies
Non-Executive Director
Chairman of the Audit and Risk Committee

Craig Davies has more than 25 years' experience in technology and cybersecurity. He was the Chief Executive Officer at the Australian Government's cybersecurity industry growth centre, AustCyber, the Head of Security at Atlassian and the Chief Security Officer at Cochlear Ltd. Besdies, and he held various technology roles with Westpac. He is a Non-Executive Director of Trimantium GrowthOps Ltd and is also a member of the Australian Institute of Company Directors. Mr. Davies is well-known in Australia's start-up ecosystem and acts as an adviser to Bugcrowd and Deckee.

James Stewart
CFO & COO

James Stewart has more than 20 years' experience working in finance and management roles in banking and enterprise software firms in Europe. Previously a CFO for Royal Bank of Scotland's Malaysian entities, James moved to take up management of the Wolters Kluwer APAC business for Finance, Risk and Compliance software products. James relocated from Asia in 2018, and was appointed the CFO at RightCrowd in July 2019.

Income Statement

For the Fiscal Period Ending	Reclassified 12 months Jun-30-2018	12 months Jun-30-2019	12 months Jun-30-2020	LTM 12 months Dec-31-2020
Currency	AUD	AUD	AUD	AUD
Revenue	5.521	9.379	11.534	12.523
Other Revenue	-	-	-	-
Total Revenue	5.521	9.379	11.534	12.523
Cost Of Goods Sold	-	-	-	1.171
Gross Profit	5.521	9.379	11.534	11.352
Selling General & Admin Exp.	9.772	13.449	16.089	16.667
R & D Exp.	-	-	-	-
Depreciation & Amort.	0.646	0.279	1.065	1.076
Other Operating Expense/(Income)	1.887	2.023	1.101	(0.816)
Other Operating Exp., Total	12.306	15.751	18.255	16.926
Operating Income	(6.785)	(6.373)	(6.721)	(5.574)
Interest Expense	(0.361)	(0.011)	(0.103)	(0.169)
Interest and Invest. Income	0.077	0.071	0.012	0.012
Net Interest Exp.	(0.284)	0.06	(0.09)	(0.157)
Currency Exchange Gains (Loss)	0.172	0.205	(0.054)	(0.465)
Other Non-Operating Inc. (Exp.)	-	-	-	-
EBT Excl. Unusual Items	(6.897)	(6.107)	(6.866)	(6.196)
Impairment of Goodwill	-	-	(1.007)	(1.007)
Gain (Loss) On Sale of Assets	0.001	-	0.005	0.005
Asset Write-down	-	-	(0.309)	(0.309)
Other Unusual Items	1.823	-	1.398	2.401
EBT Incl. Unusual Items	(5.073)	(6.107)	(6.779)	(5.106)
Income Tax Expense	0.047	0.063	0.007	(0.02)
Earnings from Cont. Ops.	(5.12)	(6.171)	(6.786)	(5.085)
Earnings of Discontinued Ops.	-	-	-	-
Extraord. Item & Account. Change	-	-	-	-
Net Income to Company	(5.12)	(6.171)	(6.786)	(5.085)
Minority Int. in Earnings	-	-	-	-
Net Income	(5.12)	(6.171)	(6.786)	(5.085)
Pref. Dividends and Other Adj.	-	-	-	-
NI to Common Incl Extra Items	(5.12)	(6.171)	(6.786)	(5.085)
NI to Common Excl. Extra Items	(5.12)	(6.171)	(6.786)	(5.085)
Per Share Items				
Basic EPS	(0.04)	(0.04)	(0.03)	(0.02)
Basic EPS Excl. Extra Items	(0.04)	(0.04)	(0.03)	(0.02)
Weighted Avg. Basic Shares Out.	119.132	165.399	198.661	210.081

Balance Sheet

Balance Sheet as of:	Jun-30-2018	Jun-30-2019	Jun-30-2020	Dec-31-2020
Currency	AUD	AUD	AUD	AUD
ASSETS				
Cash And Equivalents	6.609	4.972	1.472	3.767
Short Term Investments	-	-	0.12	0.12
Total Cash & ST Investments	6.609	4.972	1.592	3.887
Accounts Receivable	1.116	2.521	2.186	4.426
Other Receivables	1.75	1.85	2.946	-
Total Receivables	2.866	4.371	5.132	4.426
Inventory	-	0.203	0.112	1.146
Prepaid Exp.	0.241	0.286	0.384	0.559
Other Current Assets	0.072	0.109	0.04	-
Total Current Assets	9.788	9.941	7.259	10.017
Gross Property, Plant & Equipment	0.346	0.486	-	-
Accumulated Depreciation	(0.127)	(0.202)	-	-
Net Property, Plant & Equipment	0.219	0.284	1.864	1.734
Goodwill	-	13.57	12.946	12.658
Other Intangibles	0	2.245	1.622	1.423
Other Long-Term Assets	-	-	-	-
Total Assets	10.007	26.04	23.692	25.832
LIABILITIES				
Accounts Payable	0.157	0.517	0.619	1.639
Accrued Exp.	1.23	1.256	2.002	1.611
Short-term Borrowings	0.091	0.021	0.598	0.708
Curr. Port. of LT Debt	-	0.066	0.068	0.042
Curr. Port. of Leases	-	-	0.591	0.526
Curr. Income Taxes Payable	0.005	0.031	0.006	-
Unearned Revenue, Current	1.475	2.433	3.161	3.755
Other Current Liabilities	0.0	0.053	0.027	-
Total Current Liabilities	2.958	4.377	7.071	8.281
Long-Term Debt	-	0.028	0.427	0.402
Long-Term Leases	-	-	0.926	0.874
Pension & Other Post-Retire. Benefits	-	0.151	0.063	-
Other Non-Current Liabilities	0.159	0.045	0.029	0.116
Total Liabilities	3.116	4.601	8.516	9.672
Pref. Stock, Convertible	-	-	-	-
Total Pref. Equity	-	-	-	-
Common Stock	19.469	39.651	40.089	44.177
Additional Paid In Capital	-	-	-	-
Retained Earnings	(12.824)	(18.995)	(25.64)	(28.384)
Treasury Stock	-	-	-	-
Comprehensive Inc. and Other	0.246	0.783	0.727	0.367
Total Common Equity	6.89	21.439	15.175	16.16
Total Equity	6.89	21.439	15.175	16.16
Total Liabilities and Equity	10.007	26.04	23.692	25.832

Cash Flow

For the Fiscal Period Ending	12 months Jun-30-2018	12 months Jun-30-2019	12 months Jun-30-2020	LTM 12 months Dec-31-2020
Currency	AUD	AUD	AUD	AUD
Net Income	(5.12)	(6.171)	(6.786)	(5.085)
Depreciation & Amort.	0.061	0.092	0.705	0.716
Amort. of Goodwill and Intangibles	0.585	0.037	0.082	0.082
Depreciation & Amort., Total	0.646	0.128	0.788	0.799
Other Amortization	0.292	0.15	0.277	0.277
(Gain) Loss From Sale Of Assets	0.001	-	-	-
Asset Writedown & Restructuring Costs	-	-	1.316	1.316
Stock-Based Compensation	(1.644)	0.487	0.368	0.368
Other Operating Activities	(0.424)	(0.219)	0.555	(1.725)
Change in Acc. Receivable	0.32	(1.198)	(0.761)	(0.761)
Change In Inventories	-	0.005	0.091	0.091
Change in Acc. Payable	(0.082)	(0.306)	0.365	0.365
Change in Inc. Taxes	-	0.026	(0.025)	(0.025)
Change in Other Net Operating Assets	0.926	1.138	0.396	0.396
Cash from Ops.	(5.086)	(5.958)	(3.417)	(3.986)
Capital Expenditure	(0.22)	(0.096)	(0.293)	(0.262)
Sale of Property, Plant, and Equipment	0.021	-	-	(0.002)
Cash Acquisitions	-	0.12	-	-
Divestitures	-	-	-	-
Sale (Purchase) of Intangible assets	-	(0.01)	-	-
Invest. in Marketable & Equity Secur.	-	-	(0.12)	(0.12)
Net (Inc.) Dec. in Loans Originated/Sold	-	-	-	-
Other Investing Activities	-	-	-	-
Cash from Investing	(0.199)	0.015	(0.413)	(0.383)
Short Term Debt Issued	-	-	-	-
Long-Term Debt Issued	0.347	0.208	1.175	-
Total Debt Issued	0.347	0.208	1.175	2.731
Short Term Debt Repaid	-	-	-	-
Long-Term Debt Repaid	(2.277)	(0.304)	(0.747)	-
Total Debt Repaid	(2.277)	(0.304)	(0.747)	(2.435)
Issuance of Common Stock	9.25	4.563	-	4.0
Total Dividends Paid	-	-	-	-
Special Dividend Paid	-	-	-	-
Other Financing Activities	(0.656)	(0.21)	0.009	(0.046)
Cash from Financing	6.664	4.256	0.438	4.25
Foreign Exchange Rate Adj.	0.053	0.05	(0.107)	0.069
Net Change in Cash	1.432	(1.637)	(3.499)	(0.051)

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