

27 April 2023

Initiation of Coverage: Resolving complexity

NEED TO KNOW

- Value accretion to be driven by SaaS software that delivers real solutions for complex logistics systems
- Contracting generates good returns and cross-sell opportunities
- Orcoda positioning to be central player in Smart Cities of the future

Software provides compelling solutions to complex workforce and transport logistics problems while delivering to customers cost savings and substantial improvements in safety, compliance, and their own client service levels.

Partnership with global fleet management provider, Teletrac Navman, delivering local opportunities with potential for international expansion.

Betta Group generates good returns while providing cross-sell opportunities and reference sites. The electrical and communications contractor was acquired in December 2020, with new management and a restructure delivering better risk adjusted returns.

Investment thesis

SaaS software solving real world problems: Orcoda Logistics Management System (OLMS) for scheduling, routing and optimisation functionality for the management of people, parcels and transport assets; and Orcoda Workforce Logistics Software (OWLS) for workforce logistics management for remote resources sites. Both offer compelling value propositions and include a patent protected booking system.

Electrical and communications contracting: Orcoda's contracting business, Betta Group, is well positioned for on-going profitable growth with reduced risk. We expect it to continue to offer cross sell opportunities for the software products.

Smart Cities of the future: Orcoda is pursuing involvement in the development and management of Smart Cities that it expects to emerge in the next decade. Capability in both physical installation and sophisticated transport management software provides Orcoda with a strong base to participate in the both the Digital Twins simulation projects and Smart Cities.

Valuation

We value Orcoda at \$0.32 per share based on a DCF valuation. Forecasts are reliant on strong software growth, albeit lower than FY22, at strong gross margins. We forecast Contracting (Betta Group) growth of ~10% at gross margins in line with market. Upside to our valuation is most likely to come from higher software growth, and strong contracting growth and gross margins.

Risks

Key risks include an inability for its software to attract commitment from target market customers, partnerships failing to deliver growth, as well as increased marketing from competitors. Contracting risks include inflationary pressure affecting material costs, labour shortages, and continued ability to win new work.

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Orcoda Limited (ASX: ODA) is a contracting and software business. It provides electrical and communications contracting services for infrastructure projects. It also provides workforce logistics software for remote worksites and software for complex transport scheduling of people, parcels and assets in applications across healthcare, disability support and local government. It has recently signed agreements with channel partners including Teletrac Navman, and TutisVReddo that are already yielding results. Orcoda aims to be integral to the development of the Smart Cities of the future.

Valuation	A\$0.32
Current price	A\$0.21
Market cap	A\$34m
Cash on hand	A\$2.4m

Additional Resources

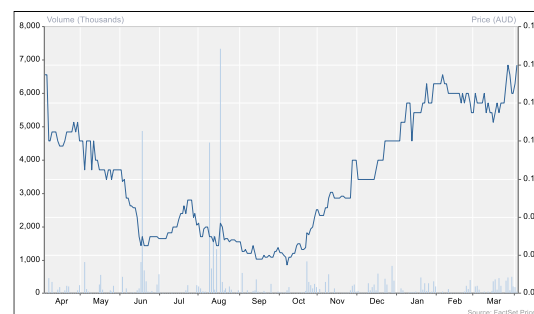
OWLS: Workforce logistics system - [Demo](#)

OLMS: Logistics management system - [Demo](#)

Upcoming Catalysts and Newsflow

Period	
August 2023	Full year results

Share Price (A\$)



Source: FactSet

Financial Summary

Year end 30 June		FY21	FY22	FY23E	FY24E	FY25E
Core PE	x	45.3x	82.6x	40.9x	19.1x	8.6x
EV/EBIT*	x	44.3x	70.7x	37.9x	18.3x	8.4x
EV/EBITDA*	x	28.5x	30.2x	21.0x	12.3x	6.6x
Div yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield	%	7.1%	1.7%	3.9%	8.2%	15.2%

* includes Lease Liabilities

Profit & Loss Statement	A\$m	FY21	FY22	FY23E	FY24E	FY25E
Operating Revenue		7.6	16.1	19.5	23.0	27.1
<i>Change pcp</i>	%		110%	21%	18%	18%
Gross Profit		3.1	5.7	6.6	8.7	11.5
Gross margin	%	40.5%	35.5%	34.0%	37.8%	42.3%
Overheads		-3.1	-5.2	-5.6	-6.1	-6.5
Other income		1.2	0.6	0.6	0.1	0.1
EBITDA (underlying)		1.2	1.1	1.6	2.7	5.1
EBITDA margin	%	15%	7%	8%	12%	19%
D&A		-0.4	-0.6	-0.7	-0.9	-1.1
Net Finance Costs		-0.1	-0.1	-0.1	-0.1	-0.1
Tax		0.0	0.0	0.0	0.0	0.0
NPAT (underlying)		0.7	0.4	0.8	1.8	3.9
Significant items		0.0	-0.6	0.0	0.0	0.0
FX differences		0.0	0.6	0.0	0.0	0.0
Share-based payments		0.0	-0.2	-0.2	-0.2	-0.2
NPAT (Reported)		0.4	-0.4	0.6	1.5	3.7

Per Share Data		FY21	FY22	FY23E	FY24E	FY25E
Shares on issue (basic)	m	148	159	159	160	160
Underlying EPS	A\$ cps	0.5	0.3	0.5	1.1	2.4
<i>growth pcp</i>	%		-45%	102%	114%	123%
Reported EPS	A\$ cps	0.3	-0.3	0.4	1.0	2.3
<i>growth pcp</i>	%		-187%	-247%	157%	141%
DPS (declared)	A\$ cps	0.0	0.0	0.0	0.0	0.0
Payout (on reported)	%	0%	0%	0%	0%	0%

Balance sheet	A\$m	FY21	FY22	FY23E	FY24E	FY25E
Cash & Deposits		2.4	2.4	2.8	5.1	9.6
Receivables		2.4	3.1	3.2	3.8	4.5
PP&E		3.1	4.6	5.8	6.8	7.7
Intangibles		8.7	8.7	8.6	8.6	8.5
Right of Use Assets		0.3	0.2	0.2	0.2	0.2
Other Assets		0.7	0.6	0.6	0.6	0.6
Total Assets		17.6	19.7	21.4	25.2	31.3
Payables		1.4	2.1	2.4	2.8	3.3
Borrowings		2.5	2.5	2.5	2.5	2.5
Lease Liabilities		0.4	0.3	0.3	0.3	0.3
Provisions / other		0.5	0.5	0.5	0.5	0.5
Total Liabilities		4.7	5.4	5.6	6.1	6.6
Shareholders' Funds		12.8	14.4	15.8	19.1	24.7
Net Debt (incl. Lease Liab)		0.5	0.3	-0.1	-2.3	-6.9

Cashflow statement	A\$m	FY21	FY22	FY23E	FY24E	FY25E
EBITDA		1.2	1.1	1.6	2.7	5.1
Net interest (debt + leases)		0.0	-0.1	-0.1	-0.1	-0.1
Working capital movements		-1.1	0.0	0.2	-0.1	-0.2
Other		-0.3	-0.1	0.0	0.0	0.0
Operating CF		0.3	1.1	1.7	2.5	4.8
Payments for PPE		-0.1	-0.6	-0.1	-0.1	-0.1
Acquisition costs		-1.0	-1.0	-0.5	0.0	0.0
Other investments		0.3	0.0	0.0	0.0	0.0
Investing CF		-0.7	-1.6	-0.6	-0.1	-0.1
Net change in borrowings		0.3	-0.6	-0.6	0.0	0.0
Princ. lease payments		-0.2	-0.1	-0.1	-0.1	-0.1
Dividends paid		0.0	0.0	0.0	0.0	0.0
Net proceeds from cap raising		1.2	1.2	0.0	0.0	0.0
Financing CF		1.4	0.5	-0.7	-0.2	-0.2
Net change in cash		1.0	0.0	0.4	2.3	4.6

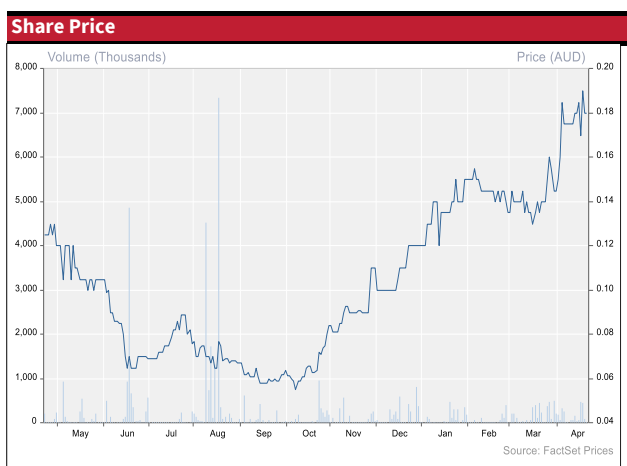
Stock information	
Share Price	A\$0.21
Market capitalisation (SOI) (A\$m)	33.7
Valuation (A\$)	\$0.32
Shares on issue (Basic) (m)	160.4
Shares on issue (diluted) (m)	167.8

	1H21	2H21	1H22	2H22	1H23	2H23E
	2.0	5.7	7.9	8.2	9.2	10.3
			38%	5%	12%	12%
	0.8	2.2	2.6	2.7	2.5	4.1
	42.0%	39.1%	33.6%	32.9%	27.0%	40.2%

Performance ratios	FY22	FY23E	FY24E	FY25E
ROE	2.8%	5.4%	10.7%	19.4%
ROIC	2.8%	5.0%	9.5%	17.5%
Net Debt / EBITDA	0.3x	-0.1x	-0.9x	-1.4x
Fixed Charge Cover	6.6x	12.3x	25.4x	55.5x
GCF / EBITDA	1.0x	1.1x	0.9x	1.0x
Price to Book	0.4x	0.5x	0.6x	0.7x
Current Ratio	1.7x	1.7x	2.2x	3.0x

Segments	A\$m	FY22	FY23E	FY24E	FY25E
ODA segment revenue					
Resource Logistics		13.4	14.5	16.0	18.0
<i>growth</i>			8%	11%	12%
Healthcare & Transport		2.6	5.0	7.0	9.1
<i>growth</i>			90%	40%	30%
Total		16.1	19.5	23.0	27.1
Segment revenue (MST est.)					
Software		3.5	6.2	8.7	11.4
<i>growth</i>			80%	40%	30%
Contracting		12.6	13.2	14.3	15.7
<i>growth</i>			5%	8%	10%
Total		16.1	19.5	23.0	27.1

Segment Gross Profit (MST est.)		FY22	FY23E	FY24E	FY25E
Software		2.4	3.3	6.6	9.1
<i>margin</i>		70%	53%	75%	80%
Contracting		3.3	3.3	2.1	2.4
<i>margin</i>		26%	25%	15%	15%
Total Gross Profit		5.7	6.6	8.7	11.5
Total GP Margin		36%	34%	38%	42%
Overheads (MST est.)		-5.2	-5.6	-6.1	-6.5
Other income		0.6	0.6	0.1	0.1
EBITDA (Underlying)		1.1	1.6	2.7	5.1
EBITDA margin		6.7%	8.2%	11.9%	18.7%



Investment thesis

Software and Contracting position Orcoda for Smart Cities of the future

Orcoda has two businesses that together position Orcoda to benefit from the development of Smart Cities over the next decade. In the meantime, these businesses are growing strongly, generating earnings and cash flow and exploiting marketing synergies.

We segment the business between Software - software as a service based software applications (SaaS) and integration in workforce logistics and transport management; and Contracting - an electrical and communications installation business. There are revenue synergies between these segments with cross-selling opportunities.

SaaS based software the value driver

The largest of the two software products, OLMS, is based around delivering scheduling, routing and optimisation functionality for the management of people, parcels and assets. It has installed applications in disability transport, pathology collection, and municipal kerbside waste collection. The latter of these has come through the partnership with Teletrac Navman that was formalised in August last year after an 18-month gestation. Orcoda's OLMS software complements Teletrac Navman's in-vehicle hardware mobile fleet asset management system. In turn, Teletrac Navman has a partnership agreement with Telstra which sells Teletrac Navman products as part of its business enterprise solutions. With a significant installed base of waste collection vehicles and further opportunities to grow share in this market in Australia, this presents a meaningful revenue opportunity for Orcoda. Teletrac Navman is a subsidiary of Vontier Corporation (NYSE: VNT) a US listed company looking to grow its businesses that will, "...shape the future of transportation and mobility" and offset the likely long-term decline in legacy business such as vehicle fuel distribution equipment within its subsidiary Gilbarco Veeder-Root.

Teletrac Navman partnership delivering results now, with future global potential

Orcoda's workforce logistics SaaS software (OWLS) is used predominantly in the management of people, transport and accommodation for mining companies with remote sites. After a hiatus due to an over-gear corporate structure until FY21, this business is now growing strongly again with a series of recent contract wins. The bookings component that is now in most OLMS applications originated in the OWLS software product and is covered by a US patent.

Currently the largest of Orcoda's businesses is the electrical and communications infrastructure contracting business, Beta Group, which was purchased in December 2020. Following the appointment of ex-Ventia executive Rae Jeffrey, there was a restructuring of the business. While there were some costs associated with this restructure, the business has now more lower risk revenue streams through cost+ and schedule of rates rather than fixed price contracts. The acquisition of this business, as well as providing strong returns and growth, has delivered cross-sell opportunities with Orcoda's OWLS software.

Betta's physical electrical and communications installation capability complements Orcoda's software as the Group positions itself to participate in the development of "Smart Cities" over the next decade. As part of this aim, Orcoda is involved with developing the Digital Twin concept for transport systems.

DCF valuation of \$0.32

We value Orcoda at \$0.32 per share based on a DCF valuation. We cross-check our DCF valuation using a sum of the parts approach based on EV / revenue multiples for the Software segment and EV / EBITDA multiples for the Contracting segment which gives a valuation of \$0.40 per share.

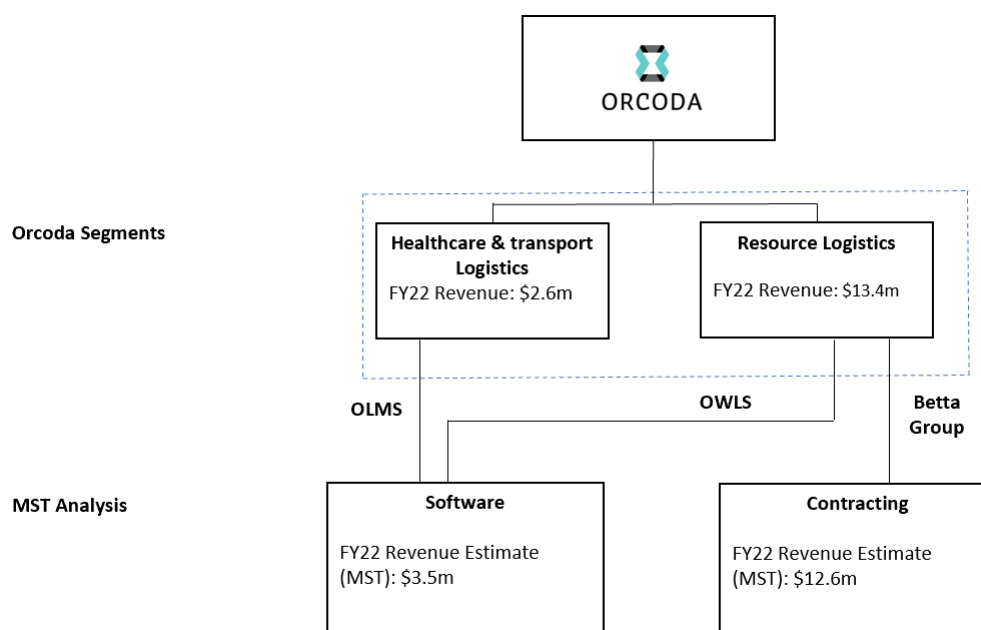
Business description

Orcoda segments its businesses based around customer type: Resource Logistics and Healthcare & Transport Logistics. The Resource Logistics segment includes contract revenue from the Beta Group and SaaS software and integration services from mining customers that have been built around the Orcoda Workforce Logistics Software (OWLS). The Healthcare and Transport Logistics segment is almost solely revenue from SaaS software and integration services with applications built around the Orcoda Logistics Management System (OLMS).

We have recut the business based around product type to provide for simpler forecasting and valuation: Software and Integration and Contracting. We have higher revenue forecasts and gross margins for Software and Integration than we do for Contracting and apply higher capitalisation multiples to those earnings when determining our valuation.

While 100% of the Healthcare and Transport Logistics segment is software, we have had to make assumptions about revenue in the Resource Logistics segment. The contracting revenue has all come from Orcoda's acquisition of Beta in December 2020. This has required us to estimate contracting revenue and software revenue (OWLS software product) in FY22 and in the forecast periods.

Figure 1: Company structure



Source: Company, MST Access

Software

Software products developed from the OWLS and OLMS platforms

Orcoda's software products are based on applications that were developed within Orcoda (previously SmartTrans Limited) and within ResourceConnect and iCURO, both of which merged with SmartTrans in 2018. Its two product groups provide logistics solutions around managing people, goods and transport assets.

Orcoda Workforce Logistics System (OWLS)

OWLS was developed within ResourceConnect having been founded by the current Managing Director Geoffrey Jamieson and provides software that allows for the management of people, transportation, accommodation and site access. It is ideally suited to remote operational worksites as well as for managing shutdowns. Clients include Kestrel Coal, MinSet, and CPB Contractors.

US Patent granted in December 2021

As a general rule, software is particularly difficult to patent, so it is impressive that OWLS has received a patent in the US – refer Appendix 1. The patent covers the booking component of the OWLS product, which is now included in many of the implementations of the Orcoda's OLMS product. An innovation patent application has also been filed for Australia. The Abstract from the US patent that describes the part of the software that has been patented:

“A web based booking platform for the booking of personnel services and assets on a single database through a single supply chain comprising; a web server hosting a portal website, the portal providing access to other service and asset provider websites or email addresses of personnel members... include(s) tracking planned movements of personnel... (and) facilitates the coordination of a total personnel supply chain... (such) that each time a change is made to a roster or manifest, the... database is updated accordingly.”

At the time Orcoda announced the granting of this patent (15 Dec 2021), it stated that it was investigating whether there were breaches of its patent and exploring the extent to which it could recover claims for breaches.

How it works

Functionally, OWLS tracks and manages the worker onboarding process, providing a central database of medical certificates, induction and training, schedules and rosters and real-time visibility of workforce, sites and assets. This personnel information is integrated with worker profiles via email, SMS and the app.

It has a booking system covering all modes of transport to get workers from their homes to remote accommodation and then manages daily site transportation. It integrates with the databases of clients, contractors and service providers, delivering a continuous workforce supply chain management

system. It allows for optimisation of transport, catering and accommodation resources, and provides a governance overlay to ensure that personnel have the appropriate qualifications for the sites on which they are scheduled to work.

After employees are mobilised, the worksite management software scans workers in and out at each point via an iPad to grant access to the worksite.

Figure 2: The Orcoda model (<https://owls.orcoda.com/>)



Source: Company website

OWLS reduces risk, improves OH&S compliance, increases efficiency, and reduces costs.

Figure 3: OWLS example

OWLS Example - Jack at ABC Mining

To illustrate this end-to-end process, we have created a fictitious example: employee (Jack), mining company (ABC) and mine site (Bundayabba) to illustrate how OWLS software creates efficiency.

Jack lives in Perth and has been recruited as a FIFO worker at Bundayabba, as a driver for one of the site haul trucks. ABC has installed OWLS software and been using it for the past 6 months. Upon recruitment, Jack's resume and work history is entered into OWLS, including previous driving experience, licences and certificates. The **clearance and medical certificates are entered into OWLS**, synced in real time and allow ABC management to authorise Jack's mobilisation immediately.

Jack then attends the general company on-boarding programme at ABC's offices in Perth, receives the certificate signifying successful completion, and is incorporated into the roster at Bundayabba. After Jack confirms his availability, **his accommodation is booked by OWLS** and the travel agent or airline is notified and his flight is booked. Site management is alerted about when to expect his arrival. A **travel itinerary is automatically completed and emailed** to him and a reminder SMS is sent the day before departure.

All workers scan on and off transport and also when entering and exiting the worksite, with the use of **live updating** giving managers the flexibility to manage expectations on timelines. On arrival at Bundayabba airport, the **OWLS 3rd party management service has already given a comprehensive schedule to the bus operators**, scheduling the appropriate size and number of buses to meet the plane full of workers. **Jack's pre-booked accommodation is ready on arrival.**

Remote-site catering has been advised of when he will be requiring meals and have been able to plan accordingly. The site transport bus is notified of his requirement to get to and from the work site. On arrival for work, his supervisor has already been advised that he has the appropriate qualifications certification and induction training.

Source: MST Access

This shows how the OWLS system integrates into a worksite and consolidates employee profile information and travel itineraries automatically. The proprietary software works with the existing system, making sure management can focus on their core operations, whilst saving money on workforce management overheads. Key features of the product are:

- Digital platform: integrates with existing systems and provides training for the team
- Management of the digital platform and 3rd party services
- Contracting with 3rd party service providers (Trades, subcontractors, accommodation and catering providers, training, induction, medicals)

Discussions with industry

Our own industry analysis indicates that there is a significant market need for products such as OWLS. We have had in-depth discussions with past or current executives of a global mining company, a leading Australian coal mining company, and a medium sized Australian gold company. The purpose of these discussions was to understand how remote site workforce logistics are currently managed, the challenges and problems with existing processes, and the likely cost / benefit analysis that would be undertaken to invest in software that could solve some of these problems.

There were two common elements that arose in these discussions:

- Excel spreadsheets are the most common tool used to manage these functions and it is a highly inefficient and manual process.
- a significant proportion of workers on site do not have the required “tickets” or the appropriate induction training because of the complexity and difficulty in managing worker profiles through unconnected manual systems.

The imperatives for companies to use OWLS include:

- compliance - ensuring that workers and contractors do not go on site unless they have the required “tickets”.
- safety – employees and contractors cannot go on-site unless they have had the appropriate induction training and the appropriate qualifications to be undertaking the relevant activities such as operating a specific piece of equipment.
- cost savings – an in-depth discussion with a finance executive from one of Australia’s largest mining companies identified the significant unnecessary costs that are incurred because of the in-built redundancy across transport, accommodation and catering because their systems are not capable of accurately scheduling demand. More flights and busses than necessary are booked and catering is undertaken for more people than actually required.

Partnership

In July 2022, Orcoda entered into an Alliance Agreement with TutisVRReddo (“TV”) to integrate and cross-sell their products as a unified solution to their respective customers. Combined, OWLS and TV offer clients an integrated personnel onboarding and compliance front-end solution. Clients have a TV application programming interface (API) into OWLS, giving them full visibility and real time updates of their workers’ onboarding, VR training and compliance status to help them to efficiently manage their subsequent mobilisation and deployment of their workforce.

TV is an Australian-based workforce training and compliance management software company for industries such as mining and processing. The TV platform provides a range of training delivery formats including virtual reality enabled modules with a solution spanning from project resourcing and skills management, through mobilization and induction, to training and assessment management and onto certification, authorization, site access and site compliance.

Competition

There are a number of competing products that address particular elements of functions that OWLS provides.

The most comprehensive of these would appear to be INX Software but their focus is more around compliance – specifically environment, health and safety (EHS), although they do offer a staff mobilisation and scheduling module. It has a significant global footprint with 180 enterprise clients and 700,000 users.

Commit Works may appear as a competitor based on their product offering – a frontline work management solution that provides specialist shift planning, resourcing and reporting functionality, often replacing spreadsheets and other manual systems. However this is an example of a software that integrates with the OWLS platform. The distinction here is that OWLS is door-to-door workforce management in transit, where Commit Works is focussed on on-site operational efficiency.

Our industry discussions revealed the need for the OWLS solution

Compliance and safety are drives for demand

OWLS integrates with existing management software

From our industry discussions, we formed the view that there is significant potential for OWLS that does not require it to poach customers from competitors. The penetration of this type of software would appear low with manual systems (ie Excel spreadsheets) being surprisingly common.

History

Prior to Resource Connect listing in August 2018, the OWLS software business was growing strongly and included customers such as Adani and Snowy Hydro. Following listing in FY19, the Group's Balance Sheet was in poor shape, resulting in the loss of all of OWLS customers at that point. The Company states that it has seen good momentum since FY21 and particularly into 1H FY23.

Orcoda Logistics Management System (OLMS)

Orcoda Logistics Management System (OLMS) delivers technical solutions for deliveries, collections, people and in-field transport operations and services. Its competitive advantage is managing complex systems with a large number of variables or constraints. Its applications usually include a booking function that originated in the OWLS product and is covered by Orcoda's US patent.

In building an understanding of OLMS and its target market, we investigated route optimisation software that is used by delivery companies. This market appears to be well serviced with products such as Maxoptra or OptimoRoute. These products appear to provide adequate solutions for relatively simple product delivery businesses, albeit with route optimisation functionality. While OLMS can provide solutions for this type of application, its competitive advantage lies in solutions for more complex systems.

The OLMS software can be broken into the following components:

- **Scheduling:** functionality to create compliant schedules manually with drag and drop in real time
- **Planning:** software can issue notifications to staff to inform them of their daily plans
- **Management:** software tailored to client operations' unique rules, KPI's and operational variables

An application of the OLMS product is for complex people transport systems. The variables moderated by OLMS extend to large numbers of regular customers with needs ranging in complexity, vehicles with a variety of modifications to provide the required service, constraints around transport times, waiting periods, passengers per vehicle, driver workloads, and a near-infinite number of destinations. The software implementation for Australia Community Transport Association is one such example.

OLMS software optimises the constraints and creates schedules that are delivered to drivers and modified in real time. Management can see every vehicle and knows where passengers are at all times

Costs are reduced, service levels are improved, and there is transparency, visibility and tools to enhance client communication.

OLMS provides solutions for complex delivery and transport systems

OLMS delivers higher service levels and lower costs

Figure 4: OLMS example

OLMS Example - Jill at DEF Healthcare

To illustrate how this works, we will construct an example in the crucial service industry of healthcare – in particular people transport. DEF Healthcare ("DEF") is one of Orcoda's clients who is currently a not-for-profit entity servicing this market, and we will follow the example of a fictitious driver, Jill, working for the DEF fleet.

Each day Jill is given a reproducible schedule, generated through the software which sets out her daily routes and optimises these service routes in real time by the minute. Her schedule will update automatically in real time, with notifications sent back to portals which allow external and internal stakeholders to react to field events as they occur. Customers of DEF are also provided with revised ETAs via the app which calculates arrival and drop off times to the minute.

Jill will arrive at the destination having been matched with the appropriate vehicle design and training to suit her end client's support needs. Transitcare also has a management team overlooking the drivers through a portal which is fed data by OLMS as Jill picks up each client. OLMS is not only able to facilitate the management of the fleet in real time, it also houses the compliance requirements that allow this operation to take place. The nature of DEF's client base means Jill will be catering for elderly and disabled people with ranging ages and needs throughout the day. OLMS will take into account Jill's certifications in these fields and match her capabilities with end clients accordingly - first aid, CPR, police checks and active blue & yellow cards.

Advanced optimisation algorithms are what run behind the scenes to facilitate the lowest resource costs - petrol, number of drivers operating simultaneously, and maximising client transport requests. Jill and her colleagues are matched with clients according to their needs, without Jill or the DEF management having to do the match-making. The OLMS software guides Jill, her client in need, and the management at DEF, through the initial scheduling and compliance all the way through to the transport service. Management can receive data from an external office and observe successful pick-up through to 'proof of delivery' at the destination.

Source: MST Access

OLMS applications include Mt Buller transport, pathology collection, food delivery service

Other applications of OLMS include:

- Mt Buller Transportation App that, "...allows visitors to make bookings for rideshare, pay for their booking, and also track rideshare and other transport (Bus) movements in real time. The Orcoda platform allows the on-site management team to allocate transport bookings and rapidly implement control over in-field operations, improving compliance and efficiency while delivering better service to their customers." More recently, bus connectivity has been enhanced with the use of Starlink communications hardware.
- pathology collection application for a major Australian pathology company.
- route optimisation for Bob & Pete 100% Yum to optimise their in-house food delivery service.
- Orcoda Connect also offers an OLMS-based service with fleet and drivers respectively. This service has been outsourced by clients including NDIS provider, 'Leap In!', as an extension of the OLMS SaaS offering and provides a scheduled transport solution for personalised requirements.

Partnerships including Teletrac Navman

Orcoda's first channel partner for the OLMS software was announced in November 2019, entering into memorandum of understanding (MOU) with Savills Australia's new supply chain division which selected OLMS to further support its industrial clients. We note that a MOU is not legally binding but is a statement of intent which Savills has stood by. Supply Chain director at Savills, Bob Quirk, states that "OLMS provides an ability to compare the costs and KPIs of alternative scenarios based on historical data". For Orcoda, this relationship further leverages the use of their software for both manufacturer/distributors and third-party logistics organisations. It will provide Orcoda with an Australia wide sales network connecting them with Savills' customers.

Teletrac Navman partnership reflected 18 months of investigation and trials

Orcoda first announced in March 2022 that it has partnered with Teletrac Navman, before finalising the agreement in August. We understand that this followed an 18-month period of development and product trials. The arrangement has accelerated the sale of the OLMS software. as a result of this cross-sale agreement. Teletrac Navman solutions are part of Telstra's business enterprise solutions with Telstra providing the SIM cards and mobile connectivity for the Teletrac Navman hardware: [Teletrac Navman fleet & asset tracking - Telstra Business & Enterprise](#). Orcoda's product is positioned on Teletrac Navman website: [Orcoda - Teletrac Navman AU](#). The first sale through this channel was announced in the lead-up to the partnership formalising with the servicing of the not-for-profit company Bernie Brae.

We understand that so far, 12 of a total of 84 Teletrac Navman salespersons and dealers in Australia have been trained up on Orcoda. We expect that as the joint sales of Teletrac Navman and Orcoda are proven to be successful, training for additional Teletrac salespeople will be undertaken, accelerating the sales of OLMS software for fleet management.

Teletrac Navman provides global fleet management software and hardware products. It is a leading global telematic system and software-as-a-service (SaaS) provider leveraging location-based technology and services for managing mobile assets.

- provides instant access to driver location and job status
- allows for real-time analytics and alerts
- monitors vehicle and asset use to improve productivity and utilisation
- reduces costs through lower fuel use and digitised processes
- streamlines compliance.

Teletrac Navman is a wholly owned subsidiary of the US\$4.0bn US listed Vontier (VNT:NYSE) which focuses on transportation and mobility businesses.

In the 1H FY23 result, through its partnership with Teletrac Navman, Orcoda was awarded two SaaS contracts.

Municipal waste collection

We understand that a recent sale of the OLMS application has been made through Teletrac Navman for a waste collection contract. An OLMS based product is to be installed in the municipal waste collection trucks in the City Council of a large Australian city. OLMS will provide scheduling functionality to complement Teletrac Navman's tracking and fleet management functionality. It also includes the first implementation of an Orcoda mobile app that provides turn-by-turn guidance specifically designed to optimise municipal waste collection.

We understand that Teletrac Navman already has its hardware and software installed in some municipal waste collection fleets with the opportunity to install the specific OLMS application and associated mobile app into those fleets. In addition, the combined offering of Teletrac Navman, Telstra and Orcoda is likely to offer a compelling offering for municipal waste collection fleets that do not already have such an application.

Major Australian heavy transport company

One contract was signed with an Australian trucking company to integrate OLMS into its fleet of more than 400 trucks and close to 20 depots. The product will provide scheduling, routing and optimisation of the company's fleet taking into account the collection point, nature of the product being transported, and depot.

International opportunities

We expect that overseas opportunities for Orcoda's OLMS based products may arise through its relationship with Teletrac Navman. We expect that Teletrac Navman's parent, Vontier, may be looking to grow software revenue and extending its relationship with Orcoda in other countries may help it achieve such a goal. Vontier businesses include some which may be in long-term decline such as another Vontier subsidiary, Gilbarco Veeder-Root, the company that manufactures and maintains petrol bowsers.

Car management application

Orcoda has indicated that it is developing a new software application for car management. It has stated that this is being developed on the back of strong interest from clients. The purpose of the \$1m capital raising in February this year was to fund the development of this application.

We understand that this product has two initial applications:

- Car Pooling as is used in large not-for-profit businesses where there are multiple vehicles that employees are able to use to deliver services to their clients. The Orcoda app is being designed to simplify the car-pooling, minimise administration, and maximise utility.

Teletrac Navman already delivering with contracts in municipal waste collection and heavy transport

Teletrac Navman's global presence creates potential international opportunities for Orcoda

Orcoda is developing a car pooling and car rental application

- Car Rental application will provide an alternative to existing structures where rental companies pay significant fees to aggregator platforms. This software will also significantly reduce administration costs through the elimination of contracts and the provision of keyless start through the app. Older vehicles in rental fleets will require some hardware to be installed while for new vehicles, the app will make use of the vehicles own telematics.

Orcoda has not provided any timetable for the release of these software products. We expect that it is likely to be integrated with Teletrac Navman hardware and associated software, providing Orcoda with access to an existing sales and distribution channel.

Carpooling and waste collection industry data

The target market for car fleet management software can similarly be broken down into the two use cases above; car-pooling (corporate fleet) and car rentals.

In a recent survey conducted by 'Fleet Complete', a top priority for fleet-owning businesses and government agencies is to optimize the number of vehicles and optimize the number of drivers.

The corporate fleet market has a total of 2.5m vehicles in Australia. One of the key drivers for the 2% increase in corporate fleet numbers from 2020 to 2022 was the "road to electrification" as cited in the Australian Corporate Fleet Insights report. The Australian car rental market is expected to derive \$1.90bn of revenue in 2023 with total number of users at 3.3m by 2027. There are four major car rental companies that dominate market share; AVIS, Europcar, Hertz and Thrifty. In terms of service providers share of total revenue, hotel booking platforms charge 15-25% and the Turo car rental marketplace takes up to 15% commission on total transaction cost.

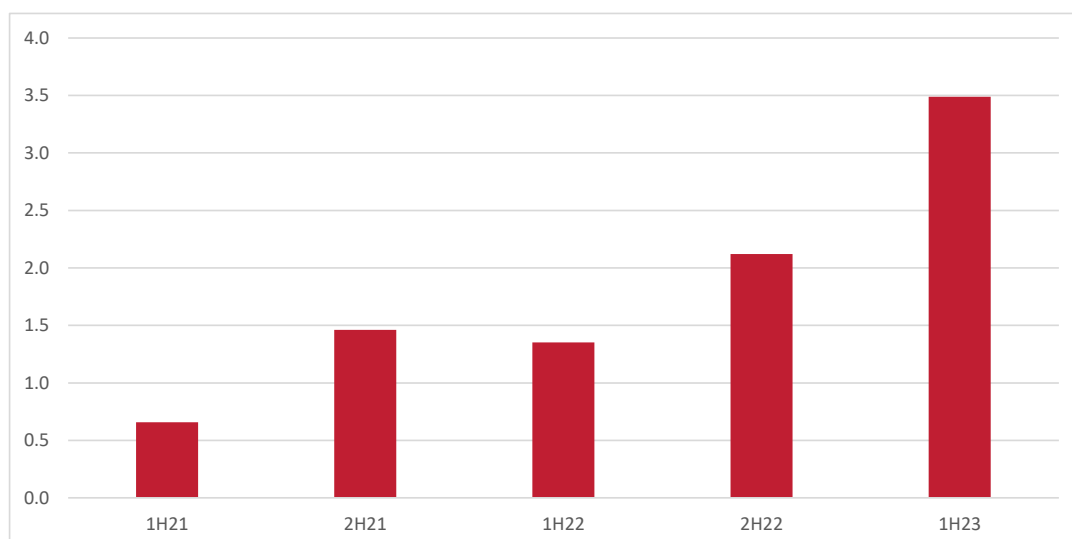
Orcoda GO is currently operational and is a prelude to how the vehicle management software can be implemented. Currently this is a bespoke application which services municipal waste collection vehicles. These contracts are won through government tenders with the goal to implement the Orcoda GO application in collection vehicles across every council region. The app has already been implemented in Cleanaway waste management vehicles, with the potential to service their entire fleet of 5,900 vehicles. J.J. Richards, Veolia, and Bingo Bins are other customers of Orcoda Go. This waste management industry is growing at 2.7% in 2023 according to *IBISWorld*.

Software sales

Growth opportunities for the OWLS product appear straightforward with the market of remote site mining companies and shut-down contracts being well defined. As discussed earlier, there would appear to be a low level of penetration of competing software solutions in this segment, leaving significant opportunity for the OWLS product.

The market for the OLMS product is less vertically defined with applications across multiple industries. We expect that sales will build out from existing customers and reference sites where OLMS has shown to significantly enhance customer service levels and lower costs. Key clients to date include: Transicare, Burnie Brae, and Mt Buller, a municipal waste collection business and a heavy transport provider.

Figure 5: Software sales estimates (A\$m)



Source: Company, MST Access

Software sales since Jan 2022 include the following, along with a contract extension granted for long-term clients Minset and Mt Buller Ski Resort.

Figure 6: Software contracts renewed/initiated (since 2H22)

Software Agreements	Channel	Purpose	Date initiated	Contract (Years)	Value (\$AU)
Bob & Pete 100% Yum		system to streamline delivery processes and improve customer service to clients	25/01/2022	3	250,000
Burnie Brae	Teletrac Navman	of clients, carers, staff, and volunteers in tandem with Teletrac Navman. Only applies to part of the Burnie Brae fleet, utilising the OLMS software.	23/03/2022	3	110,000
Kestrel Coal		for a 700-strong employee/contractor site, leveraging the OWLS platform.	9/02/2023	3	255,000
Pathology provider		Strong upside to expand service offering over a long-term contract	1/02/2022	9	3,000,000
Municipal kerbside waste collection		Included a tailored app for turn-by-turn navigation for waste collection		3	
Heavy transport co.		Contract under negotiation			
Mt Buller		numbers, Q1 FY23 revenue was ~\$2.2m (+250% pcp). The app leverages OLMS technology and now manages ~430k passenger movements during the 2022 ski season.		9	
Minset		contract to further develop a bespoke app and data platform for a joint offering to the oil, gas, and mining industries. This contract leverages Orcoda's in-house software expertise.	13/01/2021	3	50,000

Source: Company

Contracting

The core of Orcoda's Resource Logistics segment is the Queensland based contracting business, Betta Group, which was acquired in December 2020. It has historically been a Civil, Electrical and Infrastructure contractor providing services across infrastructure, industrial, commercial and government sectors. This includes traditional civil work as well as HVAC (heating, ventilation and air conditioning) installation work in commercial and industrial construction.

The business has been refocussed and is almost exclusively involved in infrastructure-based power and communications installation work. This refocus of Betta's services is part of the broader Orcoda vision to be integral to the Smart Cities of the future.

Betta's Power and Communications Infrastructure offering includes installation of communications networks such as fibre optic cables and specific rail related signal and control infrastructure. Complementary maintenance services are also provided for these networks as well as for switch gear and transformers. It also includes installation of Smart Poles and smart transport infrastructure such as fibre optic cables and communications equipment in major corridors.

Customers include Aurizon, Ergon Energy, Queensland Rail, PowerLink, Q-Build, Australian Defence Force, Yurika and The Queensland Department of Transport and Main Roads.

We understand that Betta Group is bidding on contracts with The Queensland Department of Transport and Main Roads for the installation of smart poles and smart lighting – fitting well with Orcoda's vision to be involved with the development of Smart Cities.

Betta Group now focused on power and communications infrastructure

Betta Group is well positioned to benefit from government transport infrastructure spend (estimated nationally to be ~\$110 billion over the next 10 years), due to its “essential services” status.

Acquisition of Betta Group

The strategy behind the acquisition of Betta Group was driven by a number of imperatives.

The first was to improve its prospects in bidding for the supply of software to the Queensland Department of Transport and Main Roads through its subsidiary RoadTek. In the discussions around the bid process, it became clear that Orcoda was unlikely to sell its software into RoadTek unless it was able to do the installation of the physical road communications infrastructure.

Secondly, Orcoda saw the value in being able to cross-sell its OWLS software into Betta clients. Since the acquisition, OWLS has been sold to two Betta clients – Liang O'Rourke and Kestrel. In addition, Betta itself has become a reference site for Orcoda's software products with the OLMS product being implemented within Betta and helping it to deliver improved performance.

Thirdly, Orcoda's vision for its involvement in the development of Smart Cities is significantly enhanced with ability to participate at both the physical hardware level (fibre optic cable, smart poles, communications hardware, charging stations) and with its software.

Figure 7: Selected Betta contracts (since acquisition in December 2020)

Client	Purpose	Date initiated	Contract (Years)	Value (\$AU)
Yurika	This contract will deliver civil works for the transmission line project at Yurika's Pemnbroke Olive Downs Complex. Full revenue is expected to be earned and received in 2H23.	1/02/2023	1	4,100,000
Laing O'Rourke	Delivering mechanical services for a Department of Defence project at Shoalwater Bay.	13/10/2021	1.5	2,200,000

Source: Company

Financial history of The Betta Group

At the time of acquisition of The Betta Group, its revenue for FY20 was \$9m with EBITDA margins of 23%. The appointment of new General Manager, Rae Jeffrey, at the beginning of 1H23 resulted in a change in structure of the business. The half-yearly result noted one-off costs relating to the electrical division workforce restructuring and legacy issues, as well as higher operating costs primarily from increased wages for staff retention and recruitment of skilled staff for large projects where Orcoda was unable to pass on the costs due to the fixed price nature of the legacy contracts.

The most significant change implemented was the way in which the Betta Group tendered and undertook work. It moved to much more “cost+” and “schedule of rates” with fixed price contracts all but eliminated. For many of its clients, it is sole or one of a few “preferred suppliers”. The client provides purchase orders for sections or parts of projects rather than a single contract for the whole project. Consequently, traditional measures of work-in-hand are not particularly useful. This business model, with less long-dated, fixed price long contracts, results in lower earnings risk.

Smart Cities

Orcoda's long-term goal is to be a significant player in the development and management of Smart Cities with its software being integral to managing transport needs in the future. Smart Cities will have three core components: Electrification, Connectivity, and Data Analytics.

- **Electrification:** the ability to power a Smart City such that multiple smart devices can operate 24/7 {Internet of Things (IOT), Smart Lighting (SL), Augmented Reality (AR), Virtual Reality (VR), Machine Learning (ML), Artificial Intelligence (AI), and Smart Assets (SA)}

Strategic acquisition to get Orcoda into physical communications infrastructure

Major restructure in 1H23

Long term goal to be integral to the Smart Cities of the future

- **Connectivity:** the infrastructure that supports data communications between devices, transportation platforms and data delivery systems (6G, Satellite and NBN connection)
- **Data Analytics:** utilising AI to identify trends across large datasets and optimise cities as new technology emerges.

Orcoda notes that building toward smart electrification and connectivity can help cities save money, reduce emissions, and improve quality of life for residents. Orcoda’s role in the construction and facilitation of electrified transportation networks can reduce traffic congestion and pollution, while also providing cleaner and more efficient transportation options.

Betta contracting to deliver Smart Highways

Smart Highways is one such application. Ultimately, Smart Highways will use Intelligent Transportation Management Systems (ITMS) to manage traffic flow and reduce congestion. ITMS will use smart sensors and cameras to collect data about traffic patterns, which is then used to optimise traffic flow. A smart pole is a component of smart highways. It is a simple light pole that is equipped with intelligent LED lighting, a camera, an electric vehicle charging system, and high-speed internet connectivity.

Orcoda is tailoring their contracting business to facilitate infrastructure outcomes which encourage connectivity. According to *The Economist*, Sydney is in the top 10 global cities for digital capability, which is aligned with goals set out by the NSW Government. Orcoda’s digital city expansion is also focused on other regions with momentum for infrastructure change, such as in South-East Queensland where there is significant infrastructure spend leading up to 2032 Olympics.

The Betta Group value-add is exemplified in one of Orcoda’s most recent contract agreements with Yurika, a part of Energy Queensland — the largest, wholly government-owned electricity company in Australia. Yurika is building an electricity transmission line to the Olive Downs Complex, a large-scale metallurgical coal mine located in the Bowen Basin of Queensland. While the primary purpose of the transmission line is obvious – the delivery of power to the mine – the transmission line will be installed along the highway providing the opportunity to install “smart poles” as described above. This provides the physical infrastructure to enhance the service offered by the software for workforce management and transport optimisation.

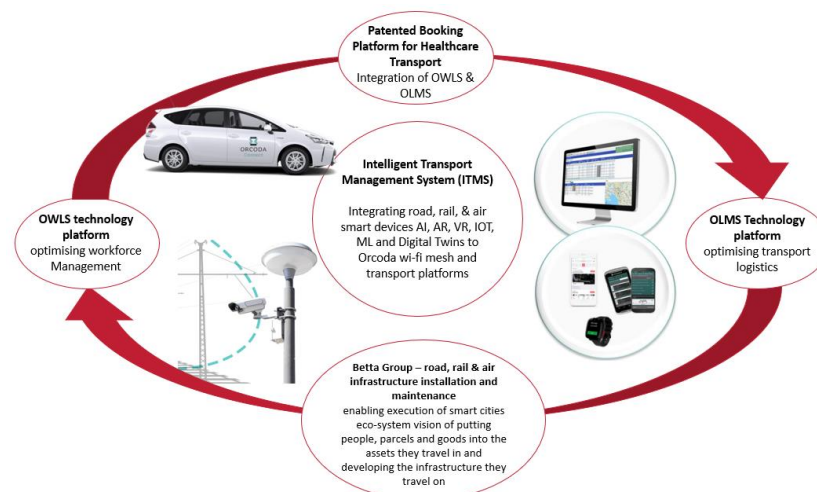
‘Digital Twins’

Orcoda involved with 3 Universities in the Digital Twins project.

The pathway to the long-term goal of Smart Cities is likely to include the implementation of Digital Twins. A digital twin is essentially a computer program that makes use of real-time and historical data to simulate future scenarios. Orcoda has stated that it is in discussions with three Universities pursuing research into Digital Twins: University of Wollongong; Queensland University of Technology; and University of Queensland.

The Company commented that a 3-5 year timeline should be granted to realise the delivery of an optimisation solution such as Digital Twins to primarily in major road and rail infrastructure projects. This will complement the OLMS technology for logistics optimisation, which already allows for a comprehensive side-by-side look at historical vs optimised transport allocation. In the opinion of management, Digital Twins are an integral part of achieving their Smart City vision on a 10 year time horizon – “A total eco-system of interconnected technology providing big data to drive continual optimisation”.

Figure 8: Smart Cities - Eco-system of interconnected technology



Source: Company, MST Access

Financial position improved markedly since 2018

Balance sheet repair

Since listing in 2018, Orcoda had to overcome some financial hurdles in order to improve the longevity of business operations in Australia. It had limited resources, was trying to reclaim trade debt, divest operations in Hong Kong, and was generating little free cash flow. This weak financial position meant its ability to win and even retain contracts was limited.

Balance sheet management

The balance sheet damage was significant enough to compromise at least two major contracts under tender. The process of paying back creditors was drawn out and cash flow was poor.

Management marked a turning point 18 months ago, with a reformed balance sheet capable of funding an acquisition. The following measures were put in place:

- Seven months of consecutive cash flow generation, with cash and cash equivalents at \$4.4m and available working capital of \$5.4m as at 3QFY23
- working capital management, resulting in lower accounts receivable days and ~\$600k reduction in net working capital balance in 1H23
- \$2.5M secured financial liabilities (\$1.0m current, \$1.5m non-current) comprised of chattel mortgages from Betta Group equipment purchases
- Third and final earn-out instalment paid on time to Betta Group shareholders in 2H22 for the acquisition (\$0.5k investing cash flow losses)

Figure 9: Financial recover since 2018 merger

		SmartTrans					
	Unit	FY17	FY18	FY19	FY20	FY21	FY22
Operating Customer Revenue	A\$m	2.9	1.2	1.6	1.3	7.6	16.1
Other income (R&D tax incentiv	A\$m	0.3	0.2	0.8	0.6	1.2	0.6
Total Revenue	A\$m	3.2	1.4	2.4	1.8	8.8	16.6
EBITDA (underlying)	A\$m	(6.3)	(4.3)	(0.4)	(2.3)	1.2	1.1
Balance Sheet							
Cash	A\$m	0.6	2.1	1.3	1.4	2.4	2.4
Receivables	A\$m	0.7	0.3	0.0	0.2	2.4	3.1
Intangibles	A\$m	0.2	11.1	11.1	6.7	8.7	8.7
Other Assets	A\$m	2.2	0.2	0.5	1.3	4.1	5.6
Total Assets	A\$m	3.7	13.8	13.0	9.6	17.6	19.7
Payables	A\$m	1.8	2.0	0.4	0.4	1.4	2.1
Financial liabilities*	A\$m	4.1	-	-	-	2.5	2.5
Other liabilities	A\$m	0.2	0.2	0.2	1.9	0.8	0.8
Total liabilities	A\$m	6.1	2.1	0.6	2.2	4.7	5.4

Source: Company

*FY17 liabilities include the provision for trade debt unpaid by Chinese SOE

Sales and marketing

Prior to FY21, Orcoda had limited resources and little free cash flow to put towards sales and marketing for the purpose of contract wins. The acquisition of Betta Group gave a non-organic boost to revenue in FY21. Therefore, only since January 2022 has Orcoda ramped up their marketing efforts due to a stronger balance sheet and cross-selling synergies with the OWLS software.

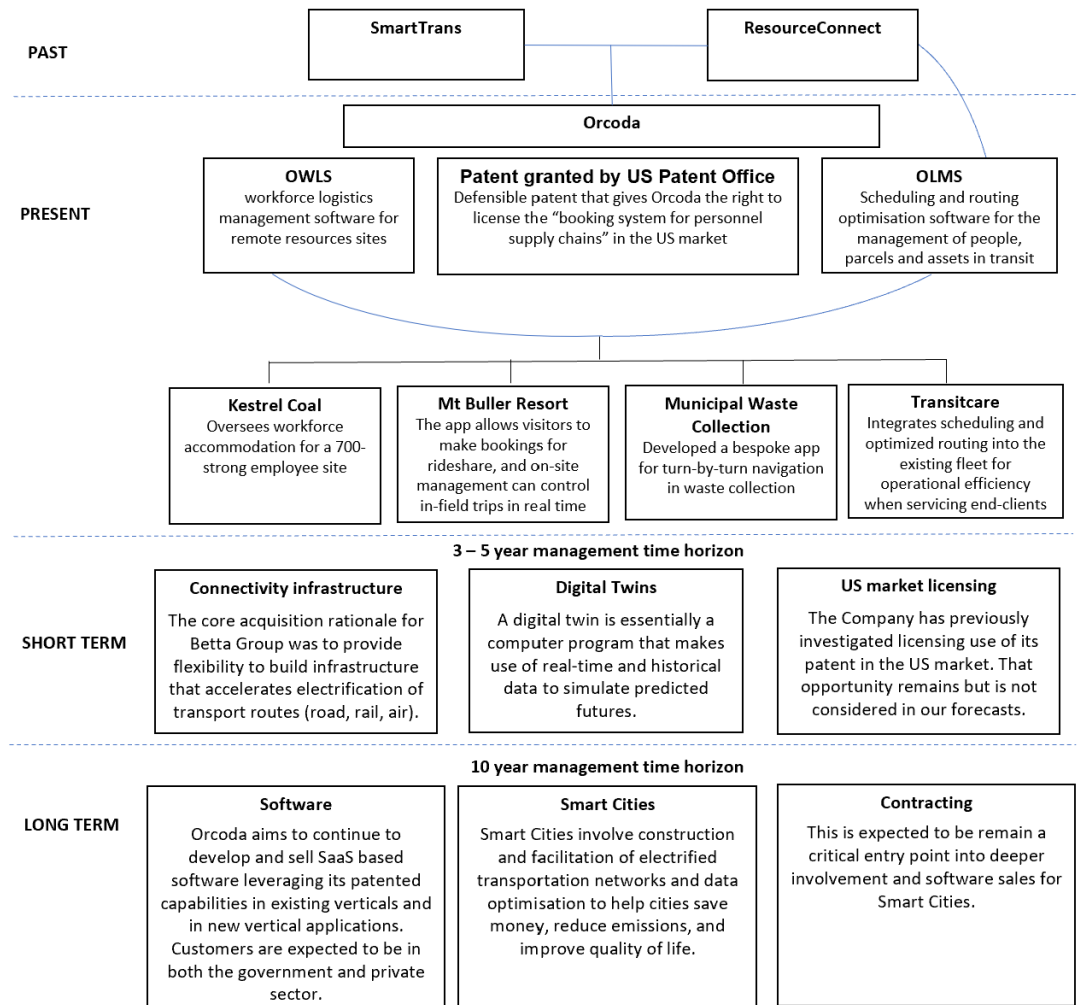
The partnerships with Teletrac Navman and TutisVreddo were established, and a marketing manager was hired with industry experience to drive business development. This has resulted in greater enquiry levels, leads and conversions.

Big step-up in marketing

History

The CEO, Geoffrey Jamieson founded Resource Connect in 2012, which developed the OWLS product in the initial form of workforce management software. In 2018, the Company merged with iCURO, integrating their workforce management software to the OWLS offering, and SmartTrans, which was developing what is now the OLMS software product. SmartTrans subsequently listed on the ASX, changing its name to Orcoda. At the end of 2020, it acquired the Beta Group giving it contracting revenue and enhancing the growth profile of the Software business.

Figure 10: Company evolution



Source: Company, MST Access

Timeline

2012: Resource Connect founded by Geoffrey Jamieson and others, with the vision to roll-out a workforce management platform to assist refinement of resource based remote site processes from on-boarding and compliance to mobilisation and accommodation – the earliest iteration of the OWLS platform.

2012: Resource Connect was founded by Geoffrey Jamieson and others, with the vision to roll-out a workforce management platform to assist resource based remote site processes from on-boarding and compliance to mobilisation and accommodation – the earliest iteration of the OWLS platform.

2018: During the financial year, the SmartTrans Group acquired 100% of Resource Connect and iCURO for \$11.1m.

April 2018: SmartTrans signs first resources deal with Minset Pty Ltd, valued initially at \$20k with the trial utilising the recently acquired Resource Connect Management System. A successful trial would lead to a 12-month engagement – Orcoda still services Minset in 2023.

June 2018: SmartTrans launches the healthcare logistics services division and announces a partnership with Vodaphone. The NDIS is a key focus, and a trial was launched in Brisbane.

August 2018: The company name is changed to Orcoda Limited (ASX:ODA) upon listing on the ASX. Geoffrey Jamieson appointed as managing director of Orcoda after running Resource Connect since its inception.

September 2018: Following an analysis of operations, Orcoda entered a binding option agreement to sell the Company's interest in its Hong Kong entity and Beijing subsidiary to OpenDNA (OPN: ASX). The option value is \$50k with a further acquisition payment of A\$150k should OpenDNA elect to purchase. This deal excludes the debt receivable of ~A\$4.1m under court appeal.

November 2018: Orcoda announced a partnership agreement with CEVA logistics, a global supply chain leader.

December 2018: SGS logistics and Orcoda sign multi-year partnership, valued at \$40,000 and will scale as the business grows

May 2019: Dispute over A\$4.1m of unpaid trade debt to Orcoda by China Mobile (State-Owned Enterprise) is settled. Orcoda lost the case despite "insufficient" evidence from the defending entity. Orcoda's decision to not proceed any further "ends a legacy issue from the old SmartTrans" – Geoffrey Jamieson.

July 2019: signed a multi-year contract with TransitCare, valued at approximately \$640,000 and will initially assist TransitCare customers in Brisbane and Townsville.

November 2019: agency agreement entered for Avestix Capital to purchase Orcoda's vehicle license business, with each vehicle license valued at approximately \$100K.

November 2019: MOU signed to deliver services for Savills Australia's new supply chain division.

February 2020: successful completion of \$2.1m capital raise.

June 2020: signed long term VIC government contract for servicing the Mt Buller ski resort.

December 2020: Completed acquisition of Beta Group with total consideration of \$5m - funded by a combination of cash and new Orcoda shares. Beta Group brought \$9m of revenue and an expansive client list.

December 2021: Granted USA patent for "Booking system for personnel supply chains" to 2036.

March 2021: Signed 40-month contract with TransitCare, extending the 2019 agreement.

March 2021: Secured \$1.3m New Pacific Energy Project via Beta Power, funded by a \$1.28m capital raise to fulfil purchase order of materials as part of the subcontracting agreement.

June 2021: MOU signed to develop and deliver on Orcoda's "Smart Poles" with multiple parties.

October 2021: Signed \$2.2m 18-month Major Works contract with Laing O'Rourke.

February 2022: Appointment of new CFO – Samuel Yue.

February 2022: Signed 9-year contract with pathology company worth in excess of \$3m in revenue with substantial upside.

March 2022: Orcoda partnered with Teletrac Navman by integrating the OLMS software into the Teletrac platform for a first joint contract win with Burnie Brae spanning 3 years.

May 2022: Orcoda raised \$557,700 through a Share Purchase Plan, totalling to \$1.25m including the earlier placement in April.

July 2022: TutisVReddo and Orcoda Limited entered into an Alliance Agreement to integrate and cross-sell their products as a unified solution to their respective customers. TutisVReddo is a workforce

Smart Poles project

training and compliance management software company for asset intensive and highly regulated industries, such as mining, processing and registered training organisations.

Teletrac Navman
agreement signed

August 2022: Teaming agreement formalised with Teletrac Navman in AGM announcement. The agreement extends beyond the initial Burnie Brae contract to integrating and cross selling each other's products to their respective customers.

February 2023: Completed \$1M capital raise with funds to be used for developing a car management software product leveraging the existing booking software and IP.

Financials

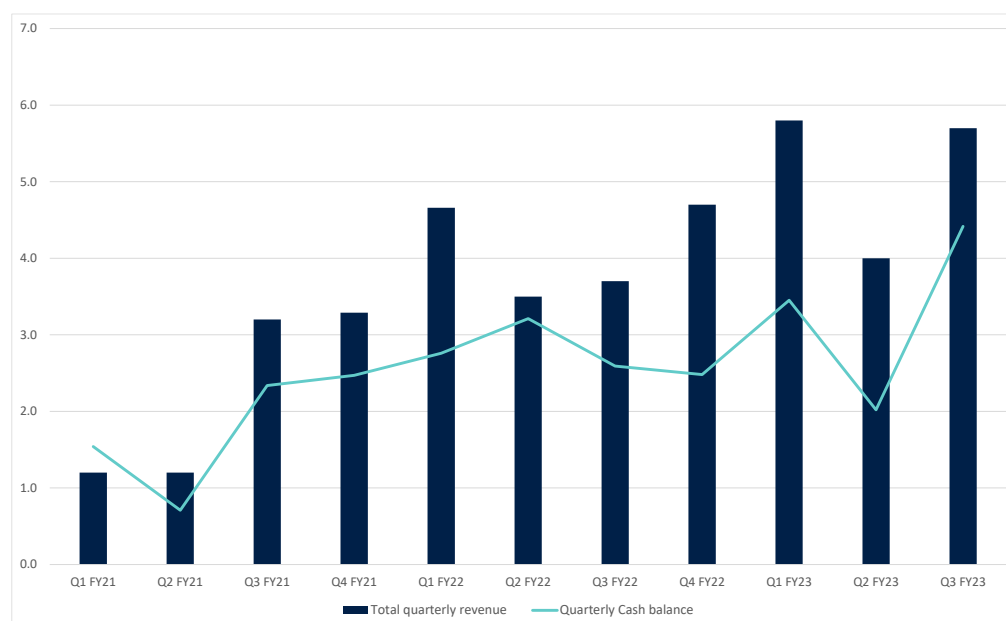
The acquisition of Beta in December 2020 represented a turning point in the company with increases in revenue and cash flow that can be seen in its quarterly results.

Total quarterly income for 3QFY23 of \$5.7m was up 50% pcp. The positive momentum in quarterly revenue is supported by investment in the business with an ending quarterly balance of \$4.4m supported by \$700k in new borrowings and a \$1m share placement.

We note that total quarterly revenue is subject to seasonality, with Q1 of the financial year coinciding with the snow season for Mt Buller ski resort – increasing rideshare service requirements.

Strong quarterly growth

Figure 11: Quarterly revenue and closing cash balance (A\$m)



Source: Company, MST Access

We analyse Orcoda's financials based on our segmentation of the business as outlined in Figure 1. Software businesses are considered separately from the contracting business, Beta Group. This requires us to estimate to the amount of software sales in the Resource Logistics business – which is essentially sales of the OWLS software product.

Figure 12: Historical revenue and earnings by segment

Segments	FY20	FY21	FY22	1H21	2H21	1H22	2H22	1H23
ODA segments								
Revenue								
Resource logistics	0.1	5.3	13.4	1.0	4.3	6.5	6.9	6.2
Healthcare & Transport	1.1	2.1	2.6	1.0	1.1	1.3	1.3	3.0
TOTAL revenue	1.3	7.6	16.1	2.0	5.3	7.9	8.2	9.2
MST Segment estimates								
Revenue								
Software	1.3	2.1	3.5	0.7	1.5	1.4	2.1	3.5
... growth (pcp)		67%	64%			105%	45%	158%
Contracting (Betta)		5.2	12.6	1.3	3.9	6.5	6.1	5.7
... growth (pcp)			142%				57%	-12%
TOTAL revenue	1.3	7.6	16.1	2.0	5.3	7.9	8.2	9.2
Gross profit								
Software	1.0	1.6	2.4	0.5	1.1	0.9	1.5	1.3
Contracting		1.5	3.3	0.4	1.1	1.7	1.2	1.1
TOTAL gross profit	1.0	3.1	5.7	0.8	2.2	2.6	2.7	2.5
Gross margin								
Software	75%	75%	70%	70%	77%	70%	70%	38%
Contracting		29%	26%	28%	28%	26%	20%	20%
Group gross margin	75%	41%	36%	42%	41%	34%	33%	27%
Overheads	(3.8)	(3.2)	(5.2)	-	-	(2.2)	(2.6)	(2.8)
Other income	0.6	1.2	0.6	0.3	0.8	0.4	0.2	0.6
EBITDA (underlying)	(2.3)	1.1	1.1	1.2	3.1	1.1	(0.0)	0.3

Source: MST Access, Company

We forecast gross margins by segment

The Company reports only revenue by segment; the allocation of revenue into our alternative segments and estimates of gross margins and overheads are our estimates. Note that we estimate that the Software segment is forecasts to have gross margins of around 70% compared with Contracting gross margins of ~26%.

Our Software segment includes the subscription revenue associated with the sale of OLMS and OWLS software and the revenue it earns from software integration and modification of the software that is requested by customers. Integration represents less than half of the revenue in this segment and we expect that as a proportion of total segment revenue, integration based revenue will continue to decline. This will be driven by an increasing level of sales that Orcoda is expected to make as a result of its relationship with partners such as Teletrac Navman.

Forecasts

Software

Upside if growth rates do not reduce as forecast

Our forecasts are based on strong growth in the Software business reflecting the momentum in the current software sales – in part arising from the relationship with Teletrac Navman. Given the international nature of that business, success in the local market may lead to opportunities for Orcoda's OLM's based products in international markets. While FY23 is expected to deliver ~80% growth (after increasing more than 1.5x in 1H23 versus 1H22), we fade our future growth rate from 40% down to 20% in FY27.

Contracting (Betta)

We expect Betta to deliver 23% growth in 2H23 (vs 2H22) which would result in 5% growth for FY23. Revenue declined by 12% in 1H23 (vs pcp) reflecting the restructuring that was undertaken in the Group.

Our forecasts assume more conservative gross margins for Contracting than FY21 – FY23 estimates

Historically, Betta was engaged in commercial and residential contracting, including in the heating, ventilation and cooling (HVAC) segment. The business has been refocused into electrical and communications contracting on infrastructure projects. This refocus is aimed to help Orcoda achieve its longer-term goals around Smart Cities.

We forecast Betta's growth rate to gradually increase to 10% over the next few years. Betta gross margins are estimated to have been around 25% since acquisition. We take a conservative view of the contracting business and forecast gross margins to decline to 15% (more in line with our view of industry gross margins) and remain at that level over the forecast period.

Figure 13: Forecasts by segment (A\$m)

Segments	FY21	FY22	FY23e	FY24e	FY25e	FY26e	FY27e	1H22	2H22	1H23	2H23e
ODA segments											
Revenue											
Resource logistics	5.3	13.4	14.5	16.0	18.0	20.0	22.3	6.5	6.9	6.2	8.1
Healthcare & Transport	2.1	2.6	5.0	7.0	9.1	10.9	13.1	1.3	1.3	3.0	2.2
TOTAL revenue	7.6	16.1	19.5	23.0	27.1	30.9	35.4	7.9	8.2	9.2	10.3
MST Segment estimates											
Revenue											
Software	2.1	3.5	6.2	8.7	11.4	13.6	16.4	1.4	2.1	3.5	2.8
... growth (pcp)	67%	64%	80%	40%	30%	20%	20%	105%	45%	158%	30%
Contracting (Betta)	5.2	12.6	13.2	14.3	15.7	17.3	19.0	6.5	6.1	5.7	7.5
... growth (pcp)		142%	5%	8%	10%	10%	10%		57%	-12%	23%
TOTAL revenue	7.6	16.1	19.5	23.0	27.1	30.9	35.4	7.9	8.2	9.2	10.3
Gross profit											
Software	1.6	2.4	3.3	6.6	9.1	11.6	13.9	0.9	1.5	1.3	2.0
Contracting	1.5	3.3	3.3	2.1	2.4	2.6	2.9	1.7	1.2	1.1	2.2
TOTAL gross profit	3.1	5.7	6.6	8.7	11.5	14.2	16.8	2.6	2.7	2.5	4.1
Gross margin											
Software	75%	70%	53%	75%	80%	85%	85%	70%	70%	38%	71%
Contracting	29%	26%	25%	15%	15%	15%	15%	26%	20%	20%	29%
Group gross margin	41%	36%	34%	38%	42%	46%	47%	34%	33%	27%	40%
Overheads	(3.2)	(5.2)	(5.6)	(6.1)	(6.5)	(6.9)	(7.2)	(2.2)	(2.6)	(2.8)	(2.9)
Other income	1.2	0.6	0.6	0.1	0.1	0.1	0.1	0.4	0.2	0.6	0.0
EBITDA (underlying)	1.1	1.1	1.6	2.7	5.1	7.4	9.7	1.1	(0.0)	0.3	1.3

Source: FactSet

Balance sheet

Most of Orcoda's financial liabilities are in the form of Chattel mortgages, which is debt funding from independent lenders used to purchase equipment for the Betta contracting business. There is a small amount of debt associated with lease liabilities.

As a contractor, Betta is usually required to provide performance bonds as part of undertaking infrastructure projects. These are typically around 5 – 10% of the value of the contracts. Orcoda is required to provide cash collateral to support these bonds and as such, we would normally adjust the gearing. However, as at 31 Dec 2022, the total outstanding bonds were just over \$0.1m, and we have considered it not meaningful enough to make the adjustment.

Figure 14: Debt metrics

Debt metrics	Unit	FY21	FY22	FY23E	FY24E	FY25E
Financial liabilities	A\$m	2.9	2.7	2.7	2.7	2.7
Cash	A\$m	2.4	2.4	2.8	5.1	9.6
Net debt / (cash)	A\$m	0.5	0.3	(0.1)	(2.3)	(6.9)
Implied interest rate	%	2.5%	2.6%	2.6%	2.6%	2.6%
Interest cover	x	10.9	6.6	12.3	25.4	55.5
Gearing	%	18%	16%	15%	14%	12%

Source: Company, MST Access

Valuation

We have used a discounted cash flow as the primary methodology for valuing Orcoda. For comparative purposes, we have also undertaken a sum of the parts valuation considering the software and the contracting businesses separately.

Discounted cash flow

We have used explicit forecasts to FY27, then for the next 5 years, we have reverted to long-term growth rate (2%) and margin metrics.

Figure 15: Discounted cash flow forecasts (A\$m)

DCF	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Total Revenue	16.1	19.5	23.0	27.1	30.9	35.4	36.1	36.8	37.6	38.3	39.1
Revenue Growth (% Yoy)		21%	18%	18%	14%	14%	2.0%	2.0%	2.0%	2.0%	2.0%
Total EBITDA	1.1	1.6	2.7	5.1	7.4	9.7	9.0	9.2	9.4	9.6	9.8
EBITDA Margin		8.2%	11.9%	18.7%	24.0%	27.3%	25%	25%	25%	25%	25%
EBITDA Growth (% Yoy)		49%	71%	85%	46%	30%	-6%	2%	2%	2%	2%
Less: Depreciation & Amortisat	(0.6)	(0.7)	(0.9)	(1.1)	(1.2)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
EBIT	0.4	0.9	1.8	4.0	6.2	8.3	7.7	7.9	8.1	8.3	8.5
Tax Rate							30%	30%	30%	30%	30%
Tax		-	-	-	(0.7)	(2.3)	(2.3)	(2.4)	(2.4)	(2.5)	(2.5)
Tax-affected EBIT	0.4	0.9	1.8	4.0	5.5	6.0	5.4	5.5	5.7	5.8	5.9
Less: changes in NWC	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5
FCF	0.6	1.5	3.7	5.1	5.6	5.6	4.9	5.1	5.2	5.3	5.4

Source: Company, MST Access

The metrics used in conjunction with the forecast cash flows above give a DCF based valuation of \$0.32 per share.

Figure 16: Discounted cash flow valuation

DCF Valuation	A\$m	DCF metrics	
		Nominal long term growth rate	2.0%
Sum of discounted forecast cash flows	24.2	Tax rate	30%
Discounted terminal value	28.9	Equity Beta	1.5
Enterprise value	53.0	Expected Market Return	5.5%
Less: Net Debt	-0.1	Cost of Equity	12.3%
Total equity value	53.1	Risk-free rate	4.0%
Diluted shares on issue (m)	167.8	Cost of debt	6.0%
Value per share	0.32	WACC	9.6%

Source: Company, MST Access

Sum of the parts – comparative valuation

We have cross checked our DCF based valuation with a sum of the parts valuation where we value the segments separately. For the Software segment, we use an EV / Revenue multiple derived from peers (albeit most with market capitalisations many times larger than Orcoda). For the contracting business, we have used an EV / EBITDA multiple derived from locally listed contracting companies.

This valuation provides a valuation of \$0.40 per share. This is used for comparison purposes only and does not affect our \$0.32 valuation.

Figure 17: Sum of the parts valuation

SaaS EV/Revenue valuation	Units	FY24E	Contracting EV/EBITDA valuation	Units	FY24E	Total sum of the parts Valuation	Units	FY24E
EV/Rev. comps	x	8.3	EV/EBITDA comps	x	5.8	Implied SaaS EV	A\$m	62.1
12 month forward SaaS reven	A\$m	7.5	12 month forward contracting EBI	A\$m	0.6	Implied Contracting EV	A\$m	3.4
Implied EV	A\$m	62.1	Implied EV	A\$m	3.4	Net Debt	A\$m	-1.2
						Implied Equity Value	A\$m	66.7
						Diluted shares on issue	m	167.8
						implied share price	\$	0.40

Source: Company, MST Access

Figure 18: Software company metrics

Valuation	Price (AUD)	MCAP (AUDm)	EV (AUDm)	EBITDA Margin		EV / EBITDA		Price / Earnings		Net Debt / EBITDA		EV/Revenue				
				2023	2024	2023	2024	2023	2024	2023	2024	2023	2024			
ZEN-US	Zendesk	-	-	-	-	-	-	-	-	-	-	-	-			
WDAY-US	Workday	191.0	58,278	69,902	28.4%	28.9%	22.8x	19.1x	37.3x	30.8x	-1.8x	-2.2x	9.7	8.3		
VEEV-US	Veeva Systems	185.5	40,308	40,029	35.1%	37.1%	32.2x	25.6x	42.8x	35.5x	-4.7x	-4.7x	17.0	14.3		
NOW-US	ServiceNow	473.3	143,717	140,690	31.5%	32.4%	33.7x	26.9x	51.8x	41.9x	-1.7x	-2.4x	15.9	13.1		
CRM-US	Salesforce	199.0	297,704	303,748	36.2%	33.8%	16.2x	15.6x	27.9x	22.2x	-0.6x	-1.4x	8.8	7.9		
RP-US	RealPage	-	-	-	-	-	-	-	-	-	-	-	-	-		
DSG-CA	Descartes Systems Group	107.9	10,111	9,729	43.6%	45.0%	26.7x	23.6x	54.7x	48.4x	-1.2x	-1.5x	12.9	11.7		
DSY-FR	Dassault Systemes	37.5	82,255	82,245	35.5%	36.1%	23.5x	21.2x	31.8x	28.9x	-0.5x	-1.1x	13.7	12.5		
XRO-AU	Xero	91.9	13,878	13,975	26.6%	29.5%	34.7x	27.1x	119.2x	71.5x	-0.1x	-0.3x	9.2	8.0		
AELTF-US	Adacel Technologies	0.5	51	57	15.5%	17.6%	5.6x	4.5x	17.0x	13.0x	-0.6x	-0.6x	1.3	1.2		
SECU.B-SE	Securitas	90.8	7,194	13,463	8.5%	8.7%	7.1x	6.8x	11.3x	8.9x	3.1x	2.7x	0.1	0.1		
Median (ex ODA)				31%	32%	23.5x	21.2x	37.3x	30.8x	-0.6x	-1.4x	9.7x	8.3x			
ODA (MSTe) Orcoda				0.20	32	32	8.3%	9.3%	19.7x	15.5x	38.2x	29.5x	-0.1x	-0.6x	1.6x	1.4x

Source: FactSet

Figure 19: Contracting company metrics

Valuation	Price (AUD)	MCAP (AUDm)	EV (AUDm)	EBITDA Margin		EV / EBITDA		Price / Earnings		Net Debt / EBITDA				
				2023	2024	2023	2024	2023	2024	2023	2024			
SXE-AU	Southern Cross Electrical	0.6	165	107	7.3%	6.7%	2.9x	3.0x	8.1x	8.5x	-	-		
MND-AU	Monadelphous Group	12.2	1,179	1,102	6.1%	6.2%	9.9x	8.9x	22.7x	19.3x	-1.6x	-1.6x		
NWH-AU	NRW	2.4	1,092	1,269	10.6%	11.0%	4.5x	4.1x	10.4x	9.6x	0.4x	0.2x		
DOW-AU	Downer EDI	3.4	2,297	3,953	5.1%	5.7%	6.3x	5.8x	14.4x	11.0x	1.8x	1.6x		
VNT-AU	Ventia Svc Grp	2.6	2,224	2,821	8.0%	8.1%	6.4x	5.9x	12.1x	10.8x	1.0x	0.7x		
Median (ex ODA)				7%	7%	6.3x	5.8x	12.1x	10.8x	0.7x	0.4x			
ODA (MSTe) Orcoda				0.20	32	32	8.3%	9.3%	19.7x	15.5x	38.2x	29.5x	-0.1x	-0.6x

Source: Company, MST Access

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ESG

In 2022 Orcoda implemented the World Economic Forum framework to report ESG progress. The 21 core disclosures referenced in the figure below guide the quarterly reporting cycle for ESG updates, made available by Orcoda in the public domain. Accountability to disclosures is supported by the use of Socialsuite's dedicated ESG platform for small-cap companies.

Figure 19: Four pillar ESG framework



Source: Company

Environmental

The Company has reported a focus on ESG impact through its client base and their respective industries in resources, healthcare and transport. The environmental impact is most tangible through the efficiencies created for clients. The Company has jointly commissioned a report with one of their clients who has recorded an excess of 34% reduction in carbon emissions over 5 years (2017-2021) through the use of Orcoda Logistics Management Software (OLMS), which was used to optimise their fleet. Forward-looking clients such as the Mt Buller and Mt Stirling Resort Management Board have also published targets to cut 60% CO2 emissions by 2030.

The Company envisions that the 'Smart Cities' of the future will require connected Electrified Transportation Networks with Smart Infrastructure Devices. Managing Director Geoffrey Jamieson reports that "Smart electrification can help cities save money, reduce emissions, and improve quality of life for residents." The Company is already implementing electrified transportation networks through Contracting business which supports the OLMS channel, reducing traffic congestion and pollution, and providing cleaner, more efficient transportation options.

Social

The Company has now scaled to a size in which it needs to be proactive around ESG objectives in areas such as employee engagement, data protection, privacy and community relations. A high level of employee skill and engagement is maintained through targeted training and development. Total spending on training for Orcoda and its subsidiaries was \$87k in FY22. With 64 full time employees, the Company has reported an average training expenditure of \$1360 per employee. Total hours spent on training is a reporting metric The Company will implement in future ESG reports.

Meaningful client engagement is exemplified through supporting not-for-profit organisations such as Australia Community Transport Association, where the work done improves the accessibility of services to disabled and aged care communities. A large part of the commitment to positively affecting

local communities is Orcoda's presence in Brisbane and Mt Buller, Victoria. The Company sponsors the 2022 Mansfield Hotel Tour in Mt Buller, the Orcoda Dragon Boat Crew in Brisbane and a football sponsorship for the Classic Wallabies series at Beef Week in Rockhampton, Queensland.

Governance

The governance framework is critical for ensuring a diverse work environment within the business and its subsidiaries in which everyone is treated fairly and with respect. The integration of acquired businesses, Betta Group and Resource Connect, creates the need for a shared sense of responsibility. Retaining Geoffrey Jamieson as the Managing Director of both Resource Connect as well as Orcoda has been key to the reputation and performance of the business. Management has identified key risks that will be a focus for governance policies going forward: climate risks, transition to electrification, health and safety risks, and cyber security concerns. From the top-down, management is kept accountable through a structured and personalised remuneration package. The Board of directors is responsible for the appropriate nature and amount of remuneration. Any executive reward satisfies key criteria such as capital management, transparency and accountability to shareholders, and alignment of executive remuneration to performance. Both Geoffrey and Nicholas Johansen the Non-executive Chairman are member and chair of the Audit Committee respectively.

Remuneration report

The remuneration policy of Orcoda is designed to align key management personnel ('KMP') objectives with shareholder and business objectives. The performance of KMP is measured against criteria agreed bi-annually with each executive, and incentives paid in the form of options or rights are only realised once predetermined performance indicators have been met. The performance indicators are based predominantly on the forecast growth of the entity's profits and shareholder value. KMP receive a combination of base salary, superannuation, fringe benefits, options and performance incentives.

There was no portion of remuneration paid out based on performance metrics in the FY22 reporting period. The Key Management Personnel are detailed below.

Figure 20: Key management personnel - shareholdings

	Company Role	Shareholding at FY22 year end (#m)	Share (%)
Nicholas Johansen	Chairman	0.4	0.3
Geoffrey Jamieson	Managing Director	10.7	6.7
Brendan Mason	Non-executive Director	1.5	0.9
Stephen Pronk	Non-executive Director	15.1	9.1
Geoffrey Williams	Founder/Advisor (Betta Group)	15.6	9.8
Samuel Yue	CFO	0.2	0.1

Source: Company

Board of directors

Nicholas Johansen – Non-executive chairman

Nicholas is a founding partner of Cozens Johansen Lawyers, a boutique law firm based in Darwin. He has spent over a decade with a primary focus on advising listed and private companies on resource and energy projects. His client list extends to project proponents, contractors, financiers and major shareholders. Nicholas has experience negotiating commercial transactions ranging from project development to Government contracts. He is also the Chair of the Audit Committee.

Brendan Mason – Non-executive director

Brendan was the chief operating officer and executive of China operations for SmartTrans prior to the merger and subsequent inception of Orcoda, giving him a unique insight to the business vision and operations. His experience extends to seven years as Cochlear's general manager for China and Mongolia, as well as time at Boral, Lucent Technologies, and Caterpillar. Brendan's experience at these companies showed an ability to increase sales multiples and engage with high-level regulatory bodies. Brendan is also the Chairman of the Remuneration Committee.

Geoffrey Jamieson – Managing director, MAICD

Founder: Resource Connect

Geoffrey's role as Managing Director is synonymous with growing Orcoda into a leading force in Transport, Resource & Healthcare Logistics. In this role he can leverage off 40 years' experience as a Managing Director or CFO. Crucially, Geoffrey was a founder of Resource Connect in 2012, which forms the origins of the OWLS workforce management software. Since then he has been central in

building out the Software offering and working toward the vision of servicing entire 'Smart Cities'. Geoffrey previously worked at 'Vital Technology'-a cloud-based IT solution for commercial operations. Over his 10 year tenure as Managing Director, he was integral in scaling this technology business model from inception.

Management

Samuel Yue - CFO

Sam has over 19 years of experience in senior investment banking roles both locally and in Greater China with Goldman Sachs and recently as Managing Director in the M&A group at Barclays Capital. Having successfully executed many M&A/financing transactions, Sam's role as CFO is not only financial management of the group but also includes advising the CEO on corporate strategy, ASX reporting and capital raisings.

Simon Anthonisz – GM Healthcare and Transport logistics division

Founder: iCURO

Simon has a strong background in managing people, with over 20 years' experience in HR/Recruitment and Workforce Management roles. Prior to acquisition by Orcoda, Simon co-founded iCURO, leading the design, development and roll-out of this platform which manages the booking source for delivery of people, parcels & goods – the foundation of the OWLS offering. Since 2018, Simon has pivoted to lead the development of OLMS and its application in optimising community transport logistics and large volume passenger projects.

Rae Jeffrey – GM Beta Group

Rae offers over 25 years of operational leadership roles with world class organisations within the engineering and service, energy and utilities industries. Key experience with Ventia Utility Services Central Queensland showed the ability to grow a business from annual turnover of \$7.2m p.a. to \$31m p.a by servicing a range of key clients in the mining sector. Rae is responsible for leading and managing Beta Group in all functional areas including development and implementation of business plans, growth strategies, and organisational management.

Jesse Drummond – CTO

Jesse has worked over the past 7 years as a technology expert in developing Enterprise Application Software & managing cloud solution architecture. More specifically, Jesse is experienced in mobile application, full-stack web-based enterprise software applications and managing cloud solution architecture. His role as CTO comes with 4 years of tenure at Orcoda and an intimate understanding of all technology platforms as well as how to manage the development team. Namely within the development team, **Senior Developer Daniel Bradley** has worked since 2014 with the underlying booking system developed by iCURO which now forms the basis of OWLS.

Susan Dobell – CMO

Susan brings over 15 years' experience in sales and marketing roles. Previous Business Manager at ASX-listed company oOh! media, she worked for over 10 years on Retail, Road, Rail and Bus Shelter advertising signage across Australia and New Zealand.

Warren Preston – Business Development

Founder: Resource Connect

Warren brings substantial experience in workforce logistics management roles for major mining, energy and infrastructure companies, integrating and connecting supply chains through software and contracting management. As one of the original founders of Resource Connect in 2012, Warren held roles as director, CIO and HR manager. Following acquisition of Resource Connect by Orcoda, Warren led the development and implementation of the Resource Logistics platform for clients, as well as managing the integration of Beta Group into Orcoda.

Geoffrey Williams – Consultant

Founder: Beta Group

Geoffrey is a founder of the Beta Group of Companies in 2005, with its flagship division Beta Power Services, delivering electrical services on infrastructure projects. Geoffrey has retained an advisory role within the Beta Group since the acquisition.

Major Shareholders

Around 40% of Orcoda shares are held by six substantial shareholders – all of which are associated with the Company currently or historically.

Figure 21: Major shareholders

FY22	Comments	(%)
Geoffrey Williams	Founder of Betta Group (shares acquired with acquisition)	9.8
Pronk Holdings Group	Stephen Pronk is a long-term shareholder and former director	9.1
Blamnco trading and Chembank	Sydney family office headed by Andrew Carr	7.2
Ravenslea Nominees	Family trust	6.4
Janegold Pty Ltd	Operated by Warren Preston	5.3
Halcyon United Pty Ltd		5.2

Source: Company

Risks

Orcoda's risks can be categorised across the two revenue models which they operate.

Whilst the introduction of Betta Group in 2020 augmented the Orcoda service offering, it also exposed the revenue model to additional risks:

Contracting

- Availability of labour – shortages of labour in trades such as electricians is likely to limit Orcoda's ability to service key clients. This can be mitigated through hiring from overseas directly and the benefits of immigration levels returning to post-Covid levels.
- Requirement to provide performance bonds (either bank guarantees or insurance bonds).
- Inflationary pressure affecting material and labour costs - Betta Group sales are tied to purchase orders and any fixed price elements opens it up to inflationary risks.

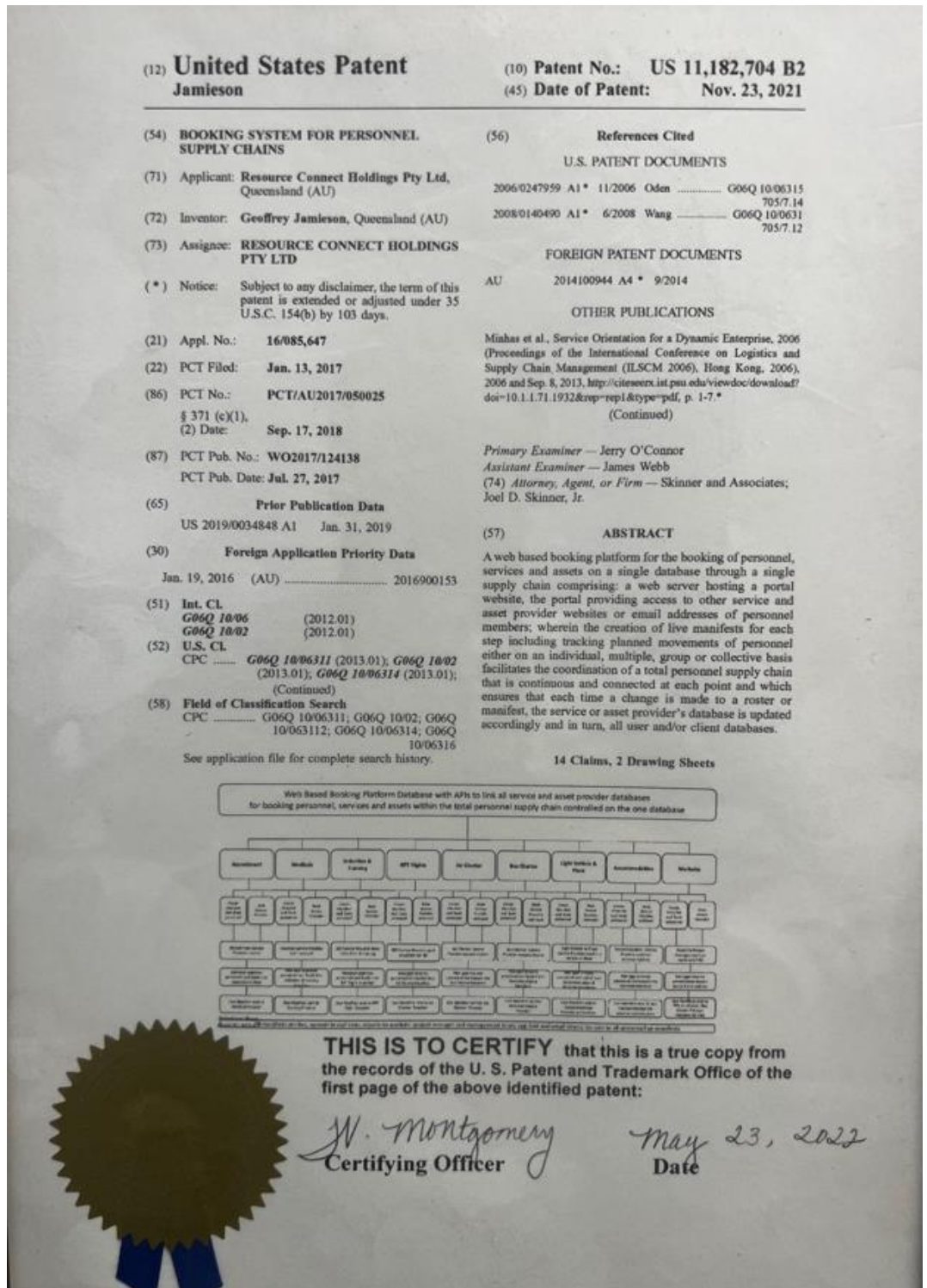
Software

- Inability for Orcoda's software products to attract commitment from its target market customers – meeting the complex transport requirements of large scale mining operations.
- Competitors increase their marketing spend and successfully stymie Orcoda's growth.
- Partnerships fail to deliver the sales opportunities expected. This extends also to the channel partners failing to support the Orcoda service offering – there is an inherent risk in reputation by association.
- Software development costs required to ensure the competitiveness of the products are higher than higher than forecast
- Loss of key clients could have a material revenue impact at this stage of the business
- Software spend by Orcoda's actual and future customers is likely to be affected by tough economic conditions
- Patent protection – Orcoda may be required to defend its patents which could require substantial financial resources

Appendix 1

Orcoda has filed for patents for and received a patent over its booking system that was first used in its OWLS product and is now embedded in a number of the OLMS products as well.

Figure 22: US patent approval



Source: Company

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