Orcoda Limited

ODA.AX

A research platform of MST Financial

30 August 2023

FY23 result – new products deliver

NEED TO KNOW

- Orcoda reported revenue of $20.7m, up 25% on pcp with EBITDA of $2.0m vs $1.1m pcp and MSTe of $1.6m
- Strong cash performance left net cash at 30 June of $4.5m, up from $1.9m at 31 Dec 2022
- Outlook boosted by recent acquisition, contract wins and data transition from 3G to 4G

EBITDA much stronger than forecast as gross margins held up more than expected (likely from the contracting business). Group revenue of $20.7m as pre-reported late July with the 4Q result.

Strong cash performance was underpinned by customer receipts 8% above revenue and operating cash flow up 60% on pcp

We forecast the Software segment to grow by 80% in FY24 supported by the additional revenue from the ***acquisition of Future Fleet***, ***recent contract wins in fleet management*** and the changes required by the closure of the 3G network.

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 remote resource workforce 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 pursing 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 Digital Twin simulation projects and ultimately Smart Cities.

Valuation

Our EBITDA forecasts have increased by 27% and 13% for FY24 and FY25 respectively. Our DCF valuation increases by a similar amount – 13% to $0.45 per share (previously $0.40) based on a DCF valuation. Forecasts are reliant on strong software growth, at high gross margins. We forecast Contracting (Betta Group) growth of ~10%. Upside to our valuation is most likely to come from higher software revenue growth given its momentum and stronger gross margins.

Risks

Key risks include an inability for Orcoda's 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 inability to win new work.

Equities Research Australia

Software Technology / Contracting

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ORCODA

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$0.45** *(previously A$0.40)*
Current price	**A$0.34**
Market cap	**A$55m**
Cash on hand	**A$4.5m**

Additional Resources

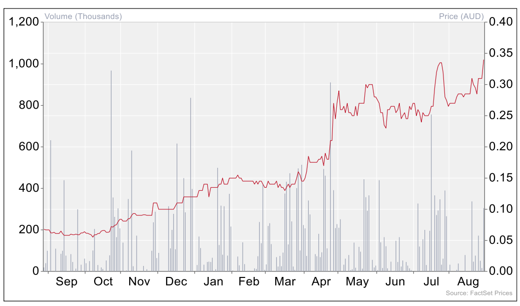
OWLS: Workforce logistics system - Demo

OLMS: Logistics management system - Demo

Upcoming Catalysts and Newsflow

AGM	Nov 2023

Share Price (A$)



Source: FactSet

Orcoda (ODA-AU)

Year end 30 June		FY22	FY23	FY24E	FY25E	FY26E
Core PE	**x**	**133.8x**	**57.8x**	**23.1x**	**12.2x**	**5.0x**
EV/EBIT*	x	114.2x	47.4x	21.0x	11.6x	5.3x
EV/EBITDA*	**x**	48.8x	27.1x	15.6x	9.5x	4.8x
Div yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield	%	1.0%	2.5%	8.0%	10.7%	21.2%

* includes Lease Liabilities

Stock information	
Share Price	A$0.34
Market capitalisation (SOI) (A$m)	54.5
Valuation (A$)	**$0.45**
Shares on issue (Basic) (m)	160.4
Shares on issue (diluted) (m)	167.8

Profit & Loss Statement	A$m	FY22	FY23	FY24E	FY25E	FY26E
Operating Revenue		**16.1**	**19.9**	**25.3**	**31.4**	**38.5**
Change pcp	%	*110%*	*24%*	*27%*	*24%*	*23%*
Gross Profit		**5.7**	**7.2**	**9.9**	**13.2**	**19.8**
Gross margin	%	35.5%	36.1%	39.0%	41.9%	51.3%
Overheads		-5.2	-6.0	-6.9	-7.9	-8.9
Other income		0.6	0.8	0.5	0.5	0.5
EBITDA (underlying)		**1.1**	**2.0**	**3.5**	**5.7**	**11.4**
EBITDA margin	%	7%	10%	14%	18%	30%
D&A		-0.6	-0.9	-0.9	-1.1	-1.2
Net Finance Costs		-0.1	-0.2	-0.2	-0.2	-0.2
Tax		0.0	0.0	0.0	0.0	-1.9
NPAT (underlying)		**0.4**	**0.9**	**2.4**	**4.5**	**10.9**
Significant items		-0.6	-0.2	0.0	0.0	0.0
FX differences		0.6	-0.5	0.0	0.0	0.0
Share-based payments		-0.2	-0.1	-0.1	-0.1	-0.1
NPAT (Reported)		-0.4	0.4	2.0	4.1	10.6

	1H22	2H22	1H23	2H23	1H24E	2H24E
Operating Revenue	7.9	8.2	9.2	16.2	10.9	14.5
Change pcp			*17%*	*97%*	*18%*	*-10%*
Gross Profit	**2.6**	**2.7**	**2.5**	**4.7**	**3.5**	**6.8**
Gross margin	33.6%	32.9%	27.0%	29.2%	32.0%	47.1%

Performance ratios	FY23	FY24E	FY25E	FY26E
ROE	5.9%	13.3%	20.4%	33.7%
ROIC	5.8%	11.8%	17.9%	22.7%
Net Debt / EBITDA	-0.1x	-1.1x	-1.9x	-2.0x
Fixed Charge Cover	5.4x	12.2x	22.0x	48.1x
GCF / EBITDA	1.5x	0.7x	1.0x	1.0x
Price to Book	0.3x	0.4x	0.5x	0.8x
Current Ratio	2.0x	2.7x	3.8x	5.3x

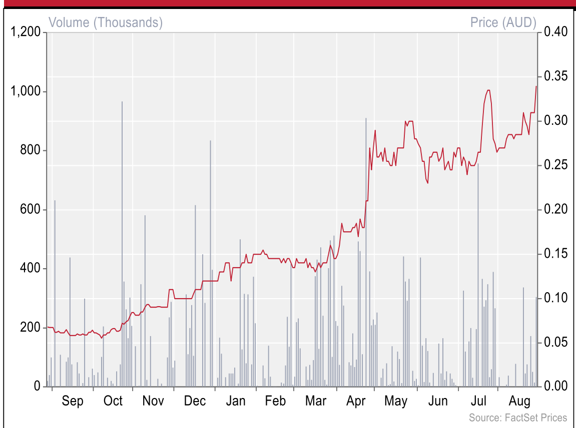
Per Share Data		FY22	FY23	FY24E	FY25E	FY26E
Shares on issue (basic)	m	159	159	160	160	160
Underlying EPS	**A$ cps**	**0.3**	**0.6**	**1.5**	**2.8**	**6.8**
growth pcp	%	*-45%*	*132%*	*151%*	*88%*	*146%*
Reported EPS	A$ cps	**-0.3**	**0.3**	**1.3**	**2.6**	**6.6**
growth pcp	%	*-187%*	*-201%*	*399%*	*102%*	*157%*
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	FY22	FY23	FY24E	FY25E	FY26E
Cash & Deposits		2.4	4.5	8.1	14.8	27.1
Receivables		3.1	1.9	4.2	5.2	6.3
PP&E		4.6	5.8	6.8	7.7	8.4
Intangibles		8.7	9.2	9.0	8.8	8.6
Right of Use Assets		0.2	0.1	0.1	0.1	0.1
Other Assets		0.6	0.6	0.6	0.6	0.6
Total Assets		**19.7**	**22.4**	**29.2**	**37.5**	**51.5**
Payables		2.1	1.9	3.1	3.9	4.8
Borrowings		2.5	4.0	4.0	4.0	4.0
Lease Liabilities		0.3	0.1	0.1	0.1	0.1
Provisions / other		0.5	0.5	0.5	0.5	0.5
Total Liabilities		**5.4**	**6.5**	**7.8**	**8.5**	**9.4**
Shareholders' Funds		14.4	15.9	21.4	29.0	42.1
Net Debt (incl. Lease Liab)		**0.3**	**-0.3**	**-4.0**	**-10.6**	**-22.9**

Segments	A$m	FY23	FY24E	FY25E	FY26E
ODA segment revenue					
Healthcare & Transport		4.0	8.0	12.2	17.5
growth			*101%*	*53%*	*43%*
Resource Logistics		15.9	17.4	19.2	21.1
growth			*9%*	*11%*	*10%*
Total		**19.9**	**25.3**	**31.4**	**38.5**
Segment revenue (MST est.)					
Software		4.9	8.8	13.3	18.6
growth			*80%*	*50%*	*40%*
Contracting		15.0	16.5	18.2	20.0
growth			*10%*	*10%*	*10%*
Total		**19.9**	**25.3**	**31.4**	**38.5**
Segment Gross Profit (MST est.)					
Software		3.4	5.7	8.6	15.8
margin		70%	65%	65%	85%
Contracting		3.8	4.1	4.5	4.0
margin		25%	25%	25%	20%
Total Gross Profit		**7.2**	**9.9**	**13.2**	**19.8**
Total GP Margin		36%	39%	42%	51%
Overheads (MST est.)		-6.0	-6.9	-7.9	-8.9
Other income		0.8	0.5	0.5	0.5
EBITDA (Underlying)		**2.0**	**3.5**	**5.7**	**11.4**
EBITDA margin		10.1%	13.7%	18.2%	29.6%

Cashflow statement	A$m	FY22	FY23	FY24E	FY25E	FY26E
EBITDA		1.1	2.0	3.5	5.7	11.4
Net interest (debt + leases)		-0.1	-0.1	-0.1	-0.1	-0.1
Working capital movements		0.0	1.0	-1.0	-0.2	-0.3
Other		-0.1	0.7	0.0	0.0	0.0
Operating CF		**1.1**	**2.2**	**2.4**	**5.4**	**11.0**
Payments for PPE		-0.6	-0.2	-0.1	-0.1	-0.1
Acquisition costs		-1.0	-0.5	0.0	0.0	0.0
Other investments		0.0	-0.1	-0.1	-0.1	-0.1
Investing CF		**-1.6**	**-0.8**	**-0.2**	**-0.2**	**-0.2**
Net change in borrowings		-0.6	-0.1	0.7	0.7	0.7
Princ. lease payments		-0.1	-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	0.9	0.9	0.9	0.9
Financing CF		**0.5**	**0.7**	**1.5**	**1.5**	**1.5**
Net change in cash		**0.0**	**2.1**	**3.6**	**6.7**	**12.3**

Share Price



FY23 Result

This result demonstrated impressively strong cash flow over the period with customer receipts 8% above revenue. This flowed through to an operating cash flow of $2.1m compared with $1.1m a year ago. With today's release of the accounts, it is clear that receivables was the major driver of the strong cash performance; $1.9m vs $3.1m a year ago.

Figure 1: FY23 Result summary

(A$m, y/e Jun)	Units	FY22A	FY23	vs. pcp	MSTe	vs. MST
Revenue	A$m	**16.1**	**19.9**	**24%**	**19.5**	**2%**
Gross Profit	A$m	**5.7**	**7.1**	**25%**	**6.6**	**8%**
…margin	%	*35.5%*	*35.9%*	*37 bps*	34%	*189 bps*
EBITDA (underlying)	A$m	**1.1**	**2.0**	77%	**1.6**	**23%**
…margin	%	*6.9%*	*9.9%*	*297 bps*	8%	*166 bps*
NPAT (underlying)	A$m	**0.4**	**0.9**	**124%**	**0.8**	**11%**
Significant items	A$m	(0.6)	(0.2)	-64%	0.0	
NPAT (reported)	A$m	(0.4)	0.4	-193%	0.6	-37%
Segments	**Units**	**FY22A**	**FY23e**	**vs. pcp**	**MSTe**	**vs. MST**
SaaS and Integration						
Revenue	A$m	3.5	5.4	56%	6.2	-13%
Gross Profit	A$m	2.4	3.5	45%	3.3	6%
… margin	%	70.0%	65.0%	*-500 bps*	53%	*1200 bps*
Contracting						
Revenue	A$m	12.6	14.5	15%	13.2	10%
Gross Profit	A$m	3.3	3.6	11%	3.3	10%
… margin	%	26.0%	25.0%	*-100 bps*	25%	*bps*
TOTAL						
Gross Profit	A$m	5.7	7.1	25%	6.6	8%
Overheads		-5.2	-6.0	15%	-5.6	7%
Other income		0.6	0.8	44%	0.6	38%
EBITDA (underlying)	**A$m**	**1.1**	**2.0**	**82%**	**1.6**	**23%**

Source: Company, MST Access. Note that the segment breakdown shown above is MSTe.

Divisional performance

From a divisional perspective, Resource Logistics was up 19% which was stronger than the 15% we had forecast. Healthcare and Transport was up 54% - an impressive result but below the ambitious 100% we had in our forecasts.

Our model of the business breaks out the segments slightly differently to Orcoda – we prefer to analyse the business around Contracting and Software. This is only marginally different to Orcoda's segmentation between Resource Logistics, and Healthcare and Transport. The major difference being that we include the OWLS software product as part of the Software segment whereas Orcoda includes that in its Resource Logistics segment.

The key assumption in our segment analysis is our estimate of revenue associated with the OWLS products. Orcoda does not release this level of detail in their result, and so it remains our estimate. Historically, we think that this has been a relatively small part of Group revenue.

Gross margins

At the Group level, gross profit margins increased slightly from 35.5% to 35.9% compared with our forecast of 32.5%. The main reason for the higher than forecast gross margins is most likely due to our previous forecast of gross margins in Contracting which we had forecast to decline to 23% from 26% in FY22. Orcoda continues to demonstrate its ability to achieve ~25% gross margins in the contracting business while ensuring that cash continues to be collected ahead of reported profit.

The strong cash performance of the Group is an important measure of the health of the business particularly given the significance of the contracting business. (customer receipts compared with revenue is the most critical metric for understanding risk in a contracting business.)

Balance Sheet

The strong cash flow over the past year has left Orcoda's balance sheet in a strong position with net cash of $4.5m – up from $2.4m last year. We note the possibility that receivables revert in FY24 soaking up some of the surplus cash generated this year.

Recent announcements

Resource Logistics – Contracting

In June, the Company announced that its wholly owned Betta Group had signed a $6.8m contract with Aurizon generating revenue in 2H FY23 and 1H FY24. The contract represents ~9% of our revenue forecast for that period. Aurizon is a long-term client of Betta Group.

While the OWLS product is in Orcoda's Resource Logistics division, we classify it in the Software segment in our breakdown of the Group. Other than the OWLS product, our divisional definitions are equivalent.

Healthcare and Transport - Software

The Northline contract will see Orcoda's software platform service 18 depots across major Australian cities, providing fleet optimisation and delivery management software for Northline's commercial freight fleet. This SaaS contract has an initial term of 3 years, with forecast revenue of ~$900k. This contract is expected to contribute ~5% of our FY23 revenue forecast.

In July, Orcoda announced that its Healthcare and Transport Logistics business had won a $400k SaaS contract with Comlink Australia Ltd to support the management of Comlink's substantial vehicle fleet (Comlink is a provider of community services for the aged care sector in Queensland). This contract engages the Orcoda Logistics Management and Booking System ('OLMS'), with an initial term of 2 years and the option to extend at Comlink's discretion. Revenue from this contract represents ~3% of software forecasts for the period.

Future Fleet acquisition

In late April this year, Orcoda announced the acquisition of Future Fleet with completion announced at the end of June. This acquisition is right in the sweet spot of Orcoda's strategy with cross-sell opportunities into Future Fleet customers.

At an acquisition price of $1.39m funded through available cash and shares, acquisition metrics (FY22) are 0.4x Revenue multiple and 2.8x EBITDA multiple. The $1.39m consideration is through cash, shares and cash earnout. Future Fleet FY22 revenue was $3.5m and EBITDA was ~$0.5m.

Future Fleet is a provider of fleet management systems with clients including Toll, Alsco, Pacific National and the NSW Government. Most of the revenue is from subscription fees. With a total 6,400 vehicles being serviced, a fee of $45 / vehicle / month is implied.

This acquisition expands Orcoda's penetration into the fleet management space. Note that Future Fleet currently use a telematics product from competitor of Teletrac Navman – Orcoda's existing telematics partner.

Teletrac Navman

First announced in March 2022, a partnership agreement with Teletrac Navman was signed a year ago. This relationship has delivered a number of contracts to date, including the municipal waste collection contracted discussed below. Refer to our initiation report here for more in-depth discussion of Teletrac Navman including the international opportunities that it may provide Orcoda.

Software strategy

Most of the revenue from Orcoda's software products appear in its Healthcare and Transport segment. We estimate a relatively small portion appears in the Resources Logistics segment and arises from revenue associated with the sale of the OWLS product.

Orcoda's software business is based on the development of applications for a variety of industries that are built on Orcoda's core software functionality. The applications use this base functionality to create real-world solutions that meet customer needs, generate efficiencies and cost savings, and enable its customers to deliver better outcomes to their clients and customers. Revenue comes in the form of upfront implementation and training and ongoing SaaS fees.

The core functionality of Orcoda's software is derived from both the OLMS and the OWLS products.

This functionality enables the management of people and / or assets across multiple transport options and facilities and includes complex delivery scheduling and route optimisation. It delivers transparency, connectivity, and visibility across organisations and provides seamless client interfaces to support the delivery of outstanding customer service.

Each of the applications that Orcoda have developed draw on this base technology to deliver solutions for customers.

- Mt Buller Transport – mobile based application that interfaces with the village bus to book, schedule and manage movement of residents at the Mt Buller village during ski season
- Northline trucking and logistics – fleet optimisation and delivery management across 18 depots and hundreds of owned and contracted heavy vehicles.
- Comlink Australia (provider of aged care and community transport) – booking, scheduling and route optimisation across multiple types of vehicles and a variety of customer needs.
- Municipal Waste Collection – scheduling and route optimisation where waste bins are assets that need to be managed. Includes fully flexible turn-by-turn route optimisation that can negotiate real-time route blockages.
- Resource industry employee and site management – management of people, transportation, accommodation and site access.
- Pathology collection and restaurant food delivery services – route optimisation while managing perishable goods and critical timetables

Forecasts, valuation and risks

Forecasts

Resource Logistics (Contracting)

Management references a strong pipeline for FY24 with good momentum in in the last 4 months with $9m of contracts signed, including the $6.8m contract with Aurizon.

Healthcare and Transport Logistics (Software)

There have been a number of major contracts announced in the last few months that will contribute to growth in FY24.

The Northline contract that was signed in May has seen some implementation delays, meaning that it contributed very little to the FY23 result. The contract is expected to contribute $0.3m pa.

The Comlink contract was signed in July and is expected to contribute $0.2m pa.

The acquisition of Future Fleet was completed in early June so made only a small contribution to FY23. Future Fleet has 6,400 customer vehicles and reported revenue of $3.5m in FY22.

Shutdown of the Telstra 3G network: most of Orcoda's customers that signed up before 2022 use Telstra's 3G network as a means of mobile communications from in-vehicle devices – including Future Fleet's 6,400 customers. This network will be shut down in June 2024 requiring upgrades to equipment and software to operate on the 4G network. This is likely to be the source of a multi-million dollar revenue stream for Orcoda as it upgrades equipment and software – including the potential for fees from additional software features.

Software revenue is forecast to nearly double from $4.0m due predominantly to the acquisition of Future Fleet.

Note that Group gross margins are forecast to increase due to the higher forecast growth of the Software business which we estimate has gross margins of 65% compared with 25% for the Contracting segment. We forecast Software (Healthcare and Logistics) gross margins to soften from 70% to 65% as a result of the increased contribution to revenue from hardware sales following the acquisition of Future Fleet.

Figure 2: Forecast by division

	FY21	FY22	FY23	FY24E	FY25E	FY26E
ORCODA SEGMENTS						
Resource logistics	5.3	13.4	15.9	17.4	19.2	21.1
growth			*19%*	*9%*	*11%*	*10%*
Healthcare and Transport logistics	2.1	2.6	4.0	8.0	12.2	17.5
growth	*81%*	*28%*	*51%*	*101%*	*53%*	*43%*
Other - Parent entity	0.3	0.0				
growth						
Total Operating Revenue	7.6	16.1	19.9	25.3	31.4	38.5
MSTe SEGMENTS						
Operating Revenue (MST est)						
Software	2.1	3.5	4.9	8.8	13.3	18.6
... growth	*67%*	*64%*	*41%*	*80%*	*50%*	*40%*
Contracting	5.2	12.6	15.0	16.5	18.2	20.0
... growth		*142%*	*19%*	*10%*	*10%*	*10%*
Other - Parent Entity	0.3					
Total Operating Revenue	7.6	16.1	19.9	25.3	31.4	38.5
Gross Profit (MST est)						
Software	1.6	2.4	3.4	5.7	8.6	15.8
Gross Margin	75%	70%	70%	65%	65%	85%
Contracting	1.5	3.3	3.8	4.1	4.5	4.0
Gross Margin	29%	26%	25%	25%	25%	20%
Gross Profit	3.1	5.7	7.2	9.9	13.2	19.8
Gross Margin	41%	36%	36%	39%	42%	51%
Overheads (Corp + div SG&A)	(3.2)	(5.2)	(6.0)	(6.9)	(7.9)	(8.9)
Overhead inflation rate	-16%	63%	15%	15%	15%	12%
Other income	1.2	0.6	0.8	0.5	0.5	0.5
EBITDA (underlying)	**1.1**	**1.1**	**2.0**	**3.5**	**5.7**	**11.4**

Source: Company, MST Access. Note that the segment breakdown shown above is MSTe.

This results in the following changes to our forecasts.

Figure 3: Changes to forecasts

$Am	Previous		Current		Change	
	FY24e	FY25e	FY24e	FY25e	FY24e	FY25e
Revenue	23.0	27.1	25.3	31.4	10.0%	16.0%
Resource Logistics	16.0	18.0	17.4	19.2	8.4%	6.8%
Healthcare & Transport	7.0	9.1	8.0	12.2	13.7%	34.1%
Gross Profit	8.7	11.5	9.9	13.2	13.4%	14.9%
... margin	*37.8%*	*42.3%*	*39.0%*	*41.9%*	*117 bps*	*-40 bps*
EBITDA (underlying)	**2.7**	**5.1**	**3.5**	**5.7**	**26.7%**	**13.0%**
NPAT (underlying)	1.8	3.9	2.4	4.5	34.4%	13.5%
Div (cps)	0.0	0.0	0.0	0.0	nm	nm

Source: Company, MST Access. Note that the segment breakdown shown above is MSTe.

Valuation

We have used a discounted cash flow as the primary methodology for valuing Orcoda. Refer to our Initiation report here, where we undertook a sum of the parts valuation considering the software and the contracting businesses separately.

The metrics used in conjunction with the forecast cash flows give a DCF based valuation of $0.45 per share. The increase from $0.40 is due predominantly to the changes to our forecasts.

Figure 4: Discounted cash flow valuation

DCF Valuation	A$m	DCF metrics	
		Nominal long term growth rate	2.0%
Sum of discounted forecast cash flows	37.5	Tax rate	30%
Discounted terminal value	38.2	Equity Beta	1.5
Enterprise value	75.6	Expected Market Return	5.5%
Less: Net Debt	-0.3	Cost of Equity	12.3%
Total equity value	75.9	Risk-free rate	4.0%
Diluted shares on issue (m)	167.8	Cost of debt	6.0%
Value per share	**0.45**	**WACC**	**9.6%**

Source: MST Access

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 business 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 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.

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