

Australian Focus List

Volume 1 Issue 2 – Q2/16

July 14, 2016

Company	Ticker	Price 01-Jul-16	12 mth Target
Consumer			
Yowie Group Ltd.	YOW-ASX	0.93	1.68
Communications			
SpeedCast International Ltd	SDA-ASX	3.57	5.22
Forest Products			
TFS Corporation Ltd	TFC-ASX	1.48	3.23
Gaming Technology			
Ainsworth Game Technology Ltd	AGI-ASX	2.17	2.80
Industrials			
BSA Limited	BSA-ASX	0.25	0.33
Codan Limited	CDA-ASX	1.20	1.51
Internet Software			
Freelancer Ltd.	FLN-ASX	1.61	2.21
Redbubble Ltd.	RBL-ASX	1.03	2.59
Medical Devices			
Impedimed Limited	IPD-ASX	0.99	2.65
AirXpanders Inc	AXP-ASX	0.93	1.50
Oil & Gas			
Cooper Energy Limited	COE-ASX	0.22	0.34
Minerals & Metals			
Orocobre Limited	ORE-ASX	4.74	6.00
Perseus Mining Limited	PRU-ASX	0.56	1.05
Support Services			
G8 Education Limited	GEM-ASX	3.83	4.94
RXP Services Limited	RXP-ASX	0.57	0.85

Source: Canaccord Genuity estimates, FactSet

Canaccord Genuity (Australia) Equity Research Team

Top Australian Stock Picks

With this publication we formally introduce our *Australian Focus List*, which contains our top-15 stock picks across a diverse group of sectors, including Consumer, Forest Products, Gaming, Industrials, Internet Software, Medical Devices, Oil & Gas, Minerals & Metals, and Support Services. This quarterly report provides a one-page summary of each pick, and includes our investment recommendation, potential catalysts and bull/base/bear target price scenarios.

Ainsworth Game Technology (AGI-ASX) – Novomatic’s bid to control 53% of the company, if successful, is expected to add materially to AGI’s earnings growth profile. Novomatic should drive sales into European markets, cost synergies and significant IP through a sharing of its game library. The benefits AGI has outlined would be 28% EPS accretive in FY18.

AirXpanders (AXP-ASX) – AXP has developed a revolutionary tissue expander for use in breast reconstruction surgery. AXP’s AeroForm uses a gas (carbon dioxide) that is released from a small canister inside the expander. This approach results in more rapid, non-painful expansion which is directly controlled by the patient. As a result, this product secured 20% of the Australian expander market within 6 months of launch and this, in our view, provides a compelling lead indicator of the commercial potential for AeroForm in the larger US market.

BSA Group (BSA-ASX) – BSA recently provided a market update that has resulted in the downgrading of our FY16 forecasts, however our FY17 and FY18 forecasts remain largely unchanged given BSA has significant work in hand over the medium term. Having recently been awarded a four-year NBN operations and maintenance contract estimated at A\$240m, BSA now appears well positioned to win additional NBN work.

Codan (CDA-ASX) – CDA’s guidance of \$20m NPAT for FY16 appears conservative and there is risk to the upside in our view. Not only is top-line growth in both divisions driving the increase, but CDA has transitioned through a difficult period, which resulted in the company streamlining its cost base. This should have a positive impact on margins going forward.

Cooper Energy (COE-ASX) – The East Australian gas market is going through an unprecedented level of demand growth following the start-up of three LNG mega projects in QLD. This has resulted in gas spot prices recently exceeding \$20/GJ, more than 3x the price seen last winter... a clear price signal that more supply is required. COE through their 50% interest in the Sole Gas project has the most leverage to this thematic in our coverage universe.

Freelancer (FLN-ASX) – FLN is the world’s largest freelancing outsourced service and crowdsourcing marketplace. The company continues to penetrate this large and deep market with an estimated US\$16b per annum revenue opportunity (FLN FY16E revenue est. A\$60.0m).

G8 Education (GEM-ASX) – GEM is the largest operator of childcare and learning centres in Australia operating over 450 centres. The company trades on attractive metrics despite its strong track record of growth - 5 year (2010-2015) EPS CAGR of 36.7%. We are forecasting EPS growth of 24.2% in FY16 and 10.3% in FY17 driven by a combination of organic and acquisitions growth. With a

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For important information, please see the Important Disclosures beginning on page 22 of this document.

fragmented market offering further acquisition growth and regulatory tailwinds we see further growth ahead.

Impedimed (IPD-ASX) – Under the leadership of ex-Medtronic executive Rick Carreon, IPD has built a strong business opportunity around its proprietary lymphoedema monitoring test, L-Dex. The company commenced full commercial launch of this test in the US in Dec 2015 and has already signed up over 17 leading US cancer centres. Based on feedback the company received from leading US cardiologists, IPD is now using the same technology to develop a device for monitoring heart failure patients. In 12-18mths, IPD potentially will have two unique products backed by Level-1 clinical evidence in market addressing key medical unmet needs. This should support a significant rerating of IPD shares.

Orocobre (ORE-ASX) – After a prolonged plant commissioning, production at Olaroz is now meeting ramp-up targets following the completion of plant rectification works in early 2016. Production for the JunQ has been guided to 3,000t Li₂CO₃, comparing to CGAu estimates of 3,050t. ORE has guided to achieving nameplate production (17.5ktpa) in SepQ'16 (CGe Dec 16). We have recently upgraded our target price to \$6.00 per share, which implies potential upside of 27%.

Perseus Mining (PRU-ASX) – PRU offers the best valuation upside in our gold sector coverage (P/NAV 0.6x vs sector average of 1.2-1.4x), the best leverage to gold prices (implied gold price of US\$1,229/oz), as well as providing sector leading production growth potential at +230% to +500kozpa within 4 years.

Redbubble (RBL-ASX) – Redbubble is an inherently global and scalable marketplace attacking a large target audience (US\$22b). RBL is one of the fastest growing stocks listed on the ASX with a +50% revenue CAGR expected over the next four years (+91% CAGR since FY11).

RXP Services (RXP-ASX) – RXP is emerging as a serious player in the IT Services sector with its headcount likely to surpass >700 FTE in 2H16 (653 at Dec-15, 470 at Dec-14). Our revenue and EBITDA forecasts have been consistently upgraded over the previous 12 months and with continued momentum across the business during 2H16 we see earnings risk to the upside.

SpeedCast International (SDA-ASX) – SDA has experienced rapid growth over recent years and has established itself as a global, top-tier satellite communications provider servicing a broad range of Industries. The share price has declined in recent months leading to its CY17 EV/EBITDA falling to just 8.1x. With a CY17 PE of just 12.8x, we view the stock as very cheap given its growth prospects and possible positive catalysts.

TFS Corporation (TFC-ASX) – TFC controls the world's largest source of sustainable Indian Sandalwood supply and is effectively a price maker in this highly lucrative and opaque market. TFC's business model is incrementally de-risking, as it establishes end markets at prices (US\$4,500/kg) that exceed initial expectation.

Yowie Group (YOW-ASX) – Yowie has successfully penetrated the USA confectionary market, with the a national roll-out and proven sales traction in a number of major retail accounts, including Walmart, Safeway and Walgreens. Recent Nielsen retail sales data reported Yowie as the number 1 selling Novelty Confectionary item in the US market on a dollars per store, per weeks basis. Potential upside based on our price target is +93%.

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Canaccord Genuity Australian Focus List Price Performance Review for the Period Ended JuneQ/16

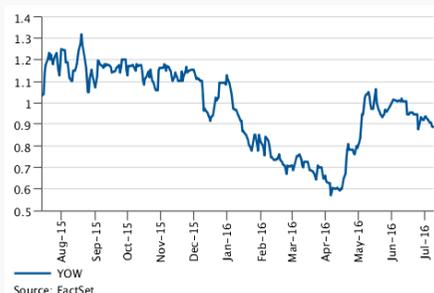
Company Name	Analyst	Ticker	FYE	\$	Price 30-Jun- 16	Price 30-Mar- 16	Price 31-Dec- 15	Q/Q % Price Change	YTD % Price Change	CG Target Price	Dividen d Yield	Implied Return to Target Price
Consumer												
Yowie Group Ltd.	Chris Northwood	YOW-ASX	Jun	AUD	\$0.93	\$0.65	\$1.13	44.2%	(17.7%)	\$1.68	0.0%	80.6%
Communications												
SpeedCast International Ltd	Cameron Bell	SDA-ASX	Dec	AUD	\$3.57	\$4.67	\$4.15	(23.6%)	(14.0%)	\$5.22	2.7%	48.9%
Forest Products												
TFS Corporation Ltd	Owen Humphries	TFC-ASX	Jun	AUD	\$1.41	\$1.69	\$1.58	(16.3%)	(10.8%)	\$3.23	2.1%	131.2%
Gaming Technology												
Ainsworth Game Technology Limited	Aaron Muller	AGI-ASX	Jun	AUD	\$2.17	\$2.31	\$2.29	(6.1%)	(5.2%)	\$2.80	4.6%	33.6%
Industrials												
BSA Limited	Warren Jeffries	BSA-ASX	Jun	AUD	\$0.25	\$0.19	\$0.19	28.9%	32.4%	\$0.33	3.3%	38.0%
Internet Software												
Freelancer Ltd.	Owen Humphries	FLN-ASX	Dec	AUD	\$1.60	\$1.21	\$1.80	32.2%	(11.1%)	\$2.21	0.0%	38.1%
Redbubble Ltd.	Owen Humphries	RBL-ASX	Jun	AUD	\$1.07	N/A	N/A	N/A	N/A	\$2.59	0.0%	142.1%
Medical Devices												
Impedimed Limited	Matthijs Smith	IPD-ASX	Jun	AUD	\$0.95	\$0.89	\$1.18	6.8%	(19.9%)	\$2.65	0.0%	180.4%
AirXpanders Inc	Matthijs Smith	AXP-ASX	Dec	AUD	\$0.93	\$1.11	\$1.05	(16.2%)	(11.0%)	\$1.50	0.0%	61.3%
Oil & Gas												
Cooper Energy Limited	James Bullen	COE-ASX	Jun	AUD	\$0.22	\$0.24	\$0.16	(10.4%)	34.4%	\$0.34	0.0%	58.1%
Specialty Minerals & Metals												
Orocobre Limited	Reg Spencer	ORE-ASX	Jun	AUD	\$4.79	\$2.88	\$2.30	66.3%	108.3%	\$6.00	0.0%	25.3%
Perseus Mining Limited	Reg Spencer	PRU-ASX	Jun	AUD	\$0.56	\$0.40	\$0.32	39.7%	74.1%	\$1.05	0.0%	87.5%
Support Services												
G8 Education Limited	Aaron Muller	GEM-ASX	Dec	AUD	\$3.79	\$3.70	\$3.57	2.4%	6.2%	\$4.94	6.3%	36.7%
RXP Services Limited	Owen Humphries	RXP-ASX	Jun	AUD	\$0.59	\$0.58	\$0.64	0.9%	(7.9%)	\$0.85	4.3%	49.6%
Technology Hardware & Equipment												
Codan Limited	Aaron Muller	CDA-ASX	Jun	AUD	\$1.18	\$0.78	\$0.68	51.3%	73.5%	\$1.51	4.2%	32.2%

Source: Canaccord Genuity estimates, FactSet

CONSUMER: Yowie Group Ltd. – YOW-AU: A\$0.93 | SPECULATIVE BUY, A\$1.68 Target

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Yowie Group Ltd



Company Statistics

Financials current as of 1-July-2016

Price	A\$0.93
52-w k High	A\$1.33
52-wk Low	A\$0.52
Ave. Daily Vol. (M)	0.8
Market Cap (M)	A\$179.5
Shares Out (M)	206.4
Dividend	A\$0.00
Return to Target %	80.6
Yield %	2.1%

Source: FactSet, Canaccord Genuity

Company Description

Yowie Group (ASX: YOW) is a chocolate novelty branding and manufacturing company, selling a chocolate with a surprise toy inside to major retailers in the USA (including Walmart, Safeway and Walgreens amongst others) and Middle East.

Source: FactSet

Earnings Summary

FYE JUNE	2015A	2016F	2017F	2018F
EPS (A¢ps)	-6.7	-3.9	2.7	12.0
EBITDA (US\$m)	-6.7	-5.0	4.6	26.3
Revenue (US\$m)	3.0	14.7	40.2	100.6
EV/EBITDA (x)	-15.6	-24.1	26.6	4.7
P/E (x)	-14.1	-24.1	35.0	7.9
Net Income (US\$m)	-6.7	-4.8	4.0	17.9

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

Yowie has successfully penetrated the USA confectionary market, with the successful national roll-out and proven sales traction in a number of major retail accounts, including Walmart, Safeway, Walgreens, World Market and Cracker Barrel (amongst others).

- Independent Nielsen retail sales data recently reported Yowie as the number 1 selling Novelty Confectionary item in the US market on a dollars per store, per weeks basis;
- Currently stocked in 23,000 to 25,000 retail stores in the USA, from a +200,000 potential target market across grocery, convenience and specialty store channels, leaving significant distribution upside;
- Manufacturing was moved from the previous factory, to a new contract supplier with increased capacity up to 100m units per year (prev. ~20m) with installed wrapping capacity of 20m units and plans for expansion;
- Post the May 2016 capital raising, it has +US\$31.0m cash which should provide adequate funding for scale up of production to meet our forecast earnings estimates and possibly accelerate marketing efforts.

Potential Catalysts

- New retail customer announcements expected in coming quarters
- Angry Birds licensed product hit stores in May and new licensing deals with Yo-Kai Watch have been announced
- New global CEO (Bert Alfonso) ex-Hershey announced in June 2016

Performance Metrics

Share price is up +52% from April 2016 lows with regular operational update news. Potential upside based on our price target is +93%.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted should Yowie:

- fail to secure additional customers to grow distribution channels aggressively;
- be unable to manufacture product at required volumes, either through production related or working capital funding related deficiencies;
- have a negative outcome from recently highlighted legal dispute with previous contract manufacturer over contract and intellectual property.

Base Valuation: Our A\$1.68 target price represents the midpoint of our FY17 and FY18 EV/EBITDA valuations based on peer comparable 13.5x multiple.

Bull: Our target price could be positively impacted should Yowie:

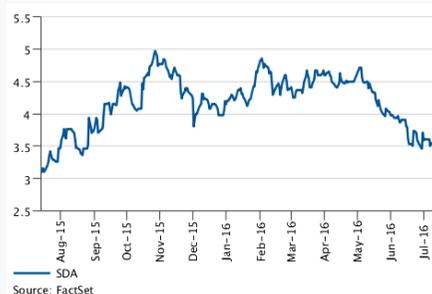
- secure additional customers;
- achieve higher than expected sell through caused by successful execution of its first active marketing strategies;
- launch the product internationally either through licensing deals or direct sales;
- drive additional revenue through licensed products outside of confectionary.

Telecommunications: SpeedCast International – SDA-AU: A\$3.57 | BUY, A\$5.22 Target

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SpeedCast International Limited



Company Statistics

Financials current as of 1-July-2016

Price	A\$3.57
52-wk High	A\$5.19
52-wk Low	A\$2.69
Ave. Daily Vol. (M)	0.2
Market Cap	A\$4313
Shares Out (M)	120.8
Dividend	A\$0.10
Return to Target %	46.2
Yield %	2.7%

Source: FactSet, Canaccord Genuity

Company Description

SpeedCast International (ASX:SDA) is a provider of satellite based communication services. The company offers tailor made solutions to clients in need of remote connectivity or a level of communications certainty that isn't provided by fibre alone. SDA's offering is to design, implement, integrate, operate and maintain a satellite communications network.

Source: Canaccord Genuity

Earnings Summary

FYE DEC	2015A	2016F	2017F	2018F
EPS (adj. US¢ps)	12.1	17.3	20.1	23.1
EBITDA (US\$m)	29.4	41.1	48.4	54.2
Revenue (US\$m)	167.6	232.0	266.9	292.6
EV/EBITDA (x)	12.6	9.4	8.1	7.0
P/E (x)	21.2	14.9	12.8	11.1
Net Income (US\$m)	4.3	12.6	16.4	20.1

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

SpeedCast has experienced rapid growth over recent years and has established itself as a global, top-tier satellite communications provider servicing a broad range of industries including maritime, government, telecommunications, energy, mining, NGO and defense. SDA recently delivered its 2015 results that showed a high level of organic growth combined with several acquisitions and we note that the industry remains highly fragmented both geographically and by industry. We are forecasting revenue growth of 39% in 2016 and see margin expansion opportunities as scale benefits are achieved and as the key input costs reduce. Growth is being driven by:

- Greater data usage;
- Low penetration rates of high speed internet in remote locations;
- Market shares gains;
- Acquisitions;
- Margin expansion.

Performance Metrics

SDA's share price has declined in recent months leading to its CY17 EV/EBITDA falling to just 8.1x. With a CY17 PE of just 12.8x, we view the stock as very cheap given its growth prospects and possible positive catalysts.

Potential Catalysts

- Contract wins
- Acquisitions

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted should SpeedCast:

- Be forced to pass on some of the cost savings associated with cheaper bandwidth;
- Face increased challenges in the oil and gas sector that the company recently expanded in;
- Have challenges integrating recently acquired businesses.

Base Valuation: Our A\$5.22 target price is determined by our DCF model.

Bull: Our target price could be positively impacted should SpeedCast:

- Continue to grow at above market rates;
- Make further acquisitions which appears likely;
- Expand its operations into new areas such as aviation or media;
- Experience a swing in foreign exchange rates given almost 80% of revenue is in USD.

FOREST PRODUCTS: TFS Corporation – TFC-AU: A\$1.48 | BUY, A\$3.23 Target

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TFS Corporation Ltd



Company Statistics

Financials current as of 1-July-2016

Price	A\$1.48
52-wk High	A\$1.98
52-wk Low	A\$1.11
Ave. Daily Vol. (M)	0.8
Market Cap (M)	A\$541.7
Shares Out (M)	384.2
Dividend	A\$0.03
Return to Target %	128.8
Yield %	2.1%

Source: FactSet, Canaccord Genuity

Company Description

TFS Corporation Limited (TFC) is an owner and manager of Indian sandalwood plantations in northern Australia. TFC is involved in the management and operation of forestry plantations, cultivation and sale of agriculture produce, the provision of finance, and the production and sale of Sandalwood Oil and related products. TFC has four divisions namely plantation management, finance, sandalwood products and agriculture.

Source: Canaccord Genuity

Earnings Summary

FYE JUNE	2015A	2016F	2017F	2018F
EPS (Acps)	7.4	3.7	7.1	8.3
EBITDA (US\$m)	57.5	62.3	86.4	88.0
Cash Revenue (A\$m)	147.7	170.4	229.1	236.0
EV/EBITDA (x)	12.1	11.0	8.2	8.0
P/E (x)	19.1	37.6	19.8	16.9
Net Income (A\$m)	113.0	62.4	106.2	97.5

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

TFC controls the world's largest source of sustainable Indian Sandalwood supply and is effectively a price maker in this highly lucrative and opaque market. TFC's business model is incrementally de-risking, as it establishes end markets at prices (US\$4,500/kg) that exceed initial expectation.

The company continues to successfully transition its business model from a pure plantation manager/financier to a product/sales distribution company that is expected to generate material cash flows to shareholders.

- After 17 years of investment, TFC's harvest profile is expected to materially increase in CY16, yielding ~300tn of heartwood per annum over the coming six years (until FY21, US\$50m pa);
- Strong sophisticated and institutional investor demand, with management targeting double digit price rises across its various investor groups (similar to FY15);
- TFC remains well capitalised to execute on its growth ambitions following the successful ~\$68.5m placement and SPP in Apr-16;

Potential Catalysts

- Successful acquisition of 221ha of MIS grower interests (A\$52.7m);
- Commercialization on new pharmaceutical products over the coming years (2x OTC products seeking distribution partners, 3x in phase two clinical trials, 1x product in phase three clinical trials);
- Successful shipment and sale of heartwood to Chinese and Middle Eastern counterparties in 1Q17;
- Refinancing its US\$200m corporate bond in FY17 (and potential upsizing given its under leveraged balance sheet [1.7x])

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted should TFC:

- Generate heartwood/oil prices lower than expected with its current off-take partners (US\$4,500/kg oil);
- Material increase in the AUDUSD;
- Heartwood yields from harvest are lower than expected
- Unsuccessful MIS buyback program

Base Valuation: Our A\$3.23 target price is derived using a 27-year DCF methodology (no terminal value) with a WACC of 10.8%.

Bull: Our target price could be positively impacted should TFC:

- secure additional customers at prices that exceed US\$4,500/kg;
- Significant devaluation in the AUD;
- Commercialized new OTC and Rx pharmaceutical products generating royalty revenues to TFC.

GAMING: Ainsworth Game Technology Ltd. – AGI-AU: A\$2.17 | BUY, A\$2.80 Target

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Ainsworth Gaming Technology Ltd



Company Statistics

Financials current as of 1-July-2016

Price	A\$2.17
52-wk High	A\$3.29
52-wk Low	A\$1.76
Ave. Daily Vol. (M)	1.0
Market Cap (M)	A\$699.4
Shares Out (M)	322.3
Dividend	A\$0.10
Return to Target %	29.9
Yield %	4.6%

Source: FactSet, Canaccord Genuity

Company Description

Ainsworth Gaming Technology is a developer and manufacturer of gaming machines, software and equipment for the gaming industry.

Source: FactSet

Earnings Summary

FYE JUN	2015A	2016F	2017F	2018F
Revenue (A\$m)	240.6	312.9	363.2	383.0
EBITDA (A\$m)	85.4	96.4	111.7	117.4
NPAT (A\$m)	52.5	53.0	63.5	68.7
EPS (A¢ps)	16.3	16.4	19.7	21.3
PE (x)	13.3	13.2	11.0	10.2
EV/EBITDA (x)	7.8	8.3	7.1	6.6
Dividend	10.0	10.0	11.0	12.0
Yield %	4.6%	4.6%	5.1%	5.5%

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

- EPS growth profile set to improve – AGI has delivered flat growth in recent years with strong growth in international markets being offset by domestic weakness. With the domestic decline slowing and the mix shifting toward the fast growing international markets (70%+ in FY17), we believe there will be a return to strong EPS growth in FY17. This will be augmented by the acquisition of Nova Technologies contributing for a full year in FY17.
- International to drive growth – International revenue growth was up 57% in 1H16 driven by growth in the Americas. North American sales were up 42% and South American sales were up 64%. We are forecasting a similar level of growth in these markets in 2H16 and FY17.
- Novomatic adds optionality – Novomatic's bid to control 53% of the company, if successful, is expected to add materially to AGI's earnings growth profile. Novomatic will drive sales into European markets, cost synergies and significant IP through a sharing of its game library. The benefits AGI has outlined would be 28% EPS accretive in FY18.

Potential Catalysts

- Continued penetration of the North American markets.
- Evidence of domestic ship share stabilising.
- Novomatic receiving regulatory approval for the acquisition of a controlling stake in AGI, which recently received shareholder approval.

Performance Metrics

AGI's share price has decreased by -4.4% this year (since 01 January 2016), which compares to the S&P/ASX 200 Index, which is down -0.5%.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted should:

- Domestic ship share continue to decline;
- South American sales decline materially from current levels;

Base Valuation: Our A\$2.80 PER based valuation is derived using the average for the Small Industrials of 14.2x and applying it to our FY17 estimate of 19.7c.

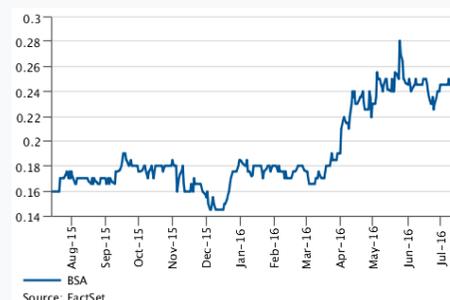
Bull: Our target price could be positively impacted should:

- Domestic ship share begin to improve;
- Ship share in North America begins to increase beyond 4%;
- Novomatic synergies begin to materialize in FY17 in the form of cost benefits and revenue synergies.

CONSUMER: BSA Group Ltd. – BSA-AU: A\$0.25 | BUY, A\$0.33 Target

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BSA Group Ltd



Company Statistics

Financials current as of 1-July-2016

Price	A\$0.25
52-w k High	A\$0.30
52-wk Low	A\$0.14
Ave. Daily Vol. (M)	0.3
Market Cap (M)	A\$105.7
Shares Out (M)	422.9
Dividend	A\$0.00
Return to Target %	32.0
Yield %	0.0%

Source: FactSet, Canaccord Genuity

Company Description

BSA Group (ASX: BSA) provides installation and maintenance solutions to the broadcast and telecommunications industries, in addition to the design and installation of building services for commercial and industrial buildings including: mechanical services, air conditioning, heating and ventilation, refrigeration and fire services.

Source: FactSet

Earnings Summary

FYE JUNE	2015A	2016F	2017F	2018F
EPS (A\$ps)	2.2	1.5	2.2	2.6
EBITDA (A\$m)	18.4	15.2	19.6	21.7
Revenue (A\$m)	543.8	515.0	545.0	550.0
EV/EBITDA (x)	4.7	5.7	4.1	3.4
P/E (x)	11.5	16.9	11.2	9.5
Net Income (A\$m)	6.7	5.4	8.9	10.7

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

BSA recently provided a market update that has resulted in the downgrading of our FY16 EBITDA forecasts to \$15.2m, from \$17.1m. The catalyst being the ongoing contract dispute in finalizing the new Royal Adelaide Hospital (nRAH) project. Importantly, it appears that dispute is coming to a close, and while we have downgraded FY16 forecast, our FY17 and FY18 forecasts remain largely unchanged given nRAH is moving to completion and BSA has significant work in hand over the medium term.

For FY16 BSA will generate revenues of >A\$500m, with ~60% now on a recurring basis, while construction Work in Hand was >\$150m as at February 2016.

Potential Catalysts

There are a number of potential key catalysts pending:

- While adversely impacting FY16 earnings the nRAH project is nearing completion and this will provide management with clear air to focus on an expanding customer and revenue base. We note the nRAH contract relates to a legacy issue and a further announcement on the completion of that project will be well received.
- Having recently been awarded a four-year NBN operations and maintenance contract estimated at A\$240m, BSA are now well positioned to win additional NBN work, particularly in relation to the HFC (Hybrid Fibre Co-Axial) component of the roll-out for which BSA is well positioned.
- Being in a net cash position of \$18.5m, and further claim inflows potentially pending, BSA is significantly well capitalised to continue to win new work.

Performance Metrics

Share price is up +40% over the past two months on the back of a solid interim result and A\$240m NBN contract, yet BSA continues to trade on a FY17 and FY18 PER of 11.2x and 9.5x, respectively.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted should BSA:

- Unresolved legacy issues continue to impact management's ability to focus on growth orientated initiatives;
- Fail to maintain higher levels of recurrent or annuity revenues, which are increasingly providing greater earnings certainty for the group and margin benefits.

Base Valuation: Our A\$0.33 target price DCF Valuation excludes any benefit from new contract wins or current initiatives around margin expansion.

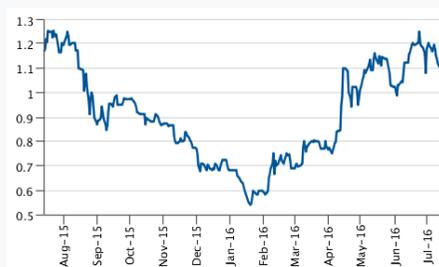
Bull: Our target price could be positively impacted should BSA:

- secure additional long-term contracts being NBN or otherwise;
- bring forward margin growth by an ongoing focus on its cost base and restructuring initiatives;
- make a complementary acquisition which may provide a step change to earnings.

TECHNOLOGY HARDWARE & EQUIPMENT: Codan Ltd. – CDA-AU: A\$1.20 | BUY, A\$1.51 Target

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Codan Ltd



Source: FactSet

Company Statistics

Financials current as of 1-July-2016

Price	A\$1.20
52-wk High	A\$1.29
52-wk Low	A\$0.53
Ave. Daily Vol. (M)	0.3
Market Cap (M)	A\$212.6
Shares Out (M)	177.1
Dividend	A\$0.05
Return to Target %	26.0
Yield %	4.2%

Source: FactSet, Canaccord Genuity

Company Description

Codan designs and manufactures a range of electronic products including radio communication products, metal detection products and technology for the mining sector.

Source: FactSet

Earnings Summary

FYE JUN	2015A	2016F	2017F	2018F
Revenue (A\$m)	143.9	159.4	163.2	168.4
EBITDA (A\$m)	29.9	39.7	42.8	45.9
NPAT (A\$m)	12.7	20.0	23.2	26.0
EPS (A¢ps)	7.2	11.3	13.1	14.7
PE (x)	16.7	10.6	9.1	8.2
EV/EBITDA (x)	8.3	5.9	5.1	4.4
Dividend	3.5	5.0	6.0	7.0
Yield %	2.9%	4.2%	5.0%	5.8%

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

- Metal Detection – CDA's Metal Detection division, Minelab, is a leading manufacturer and distributor of metal detection products. Sales for the 9 months to 31 March 2016, are up 47% on the pcp and 3Q16 revenue is up 84% on the pcp suggesting strong momentum in demand. The growth has been driven by demand for its products in a number of African markets.
- Radio Communications – CDA's Communications division manufactures radio and other communication products for the security, military and peacekeeping organisations globally. Sales for the 9 months to 31 March were broadly in line with the pcp, however 3Q16 revenue was \$21m, up 57% on the pcp. The 4Q16 performance is also expected to be strong with the part delivery of a US government contract expected.
- Guidance points to strong momentum – Guidance of \$20m NPAT for FY16 appears conservative and there is risk to the upside. Not only is top-line growth in both divisions driving the increase, but CDA has transitioned through a difficult period, which resulted in the company streamlining its cost base. This should have a positive impact on margins going forward.

Potential Catalysts

- Upgrades – earnings are highly leveraged to the metal detection division which commands high gross margins.
- Result – a strong result should support share price momentum.
- Contract wins – in Communications and Mine Technology.

Performance Metrics

CDA's share price has increased by 76.5% this year (since 01 January 2016), which compares to the S&P/ASX 200 Index, which is down -0.50%.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted should:

- Gold detector sales be impacted as a result of a fall in the gold price or conflict in key markets in Africa;
- Government spending tighten which can impact expenditure on radio communications equipment.

Base Valuation: Our A\$1.51 PER based valuation is derived by applying an 11.5x PER to our FY17 EPS estimate. This is set at a 20% discount to the Small Industrials average. Our EPS estimate implies a 16% increase on FY16 guidance.

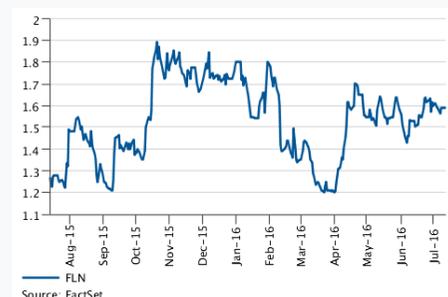
Bull: Our target price could be positively impacted should:

- Sales of CDA's gold detector sales continue to rise;
- Additional contracts in Communications be won;
- CDA's Mine Technology division begin to gain traction.

INTERNET SOFTWARE: Freelancer – FLN-AU: A\$1.61 | BUY, A\$2.21 Target

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Freelancer Ltd



Company Statistics

Financials current as of 1-July-2016

Price	A\$1.61
52-wk High	A\$1.89
52-wk Low	A\$1.20
Ave. Daily Vol. (M)	0.4
Market Cap (M)	A\$713.3
Shares Out (M)	451.4
Dividend	A\$0.0
Return to Target %	40.0
Yield %	0.0%

Source: FactSet, Canaccord Genuity

Company Description

Freelancer Limited (FLN) is engaged in freelancing, outsourcing, and crowdsourcing marketplace for small business. FLN connects over 19m employers and freelancers globally from over 247 countries, regions and territories. Employers can hire freelancers to do work in areas such as software development, writing, data entry and design right through to engineering, the sciences, sales and marketing, accounting and legal services.

Source: Canaccord Genuity

Earnings Summary

FYE DEC	2015A	2016F	2017F	2018F
EPS (A¢ps)	-0.3	-0.1	0.1	1.6
EBITDA (US\$m)	-2.0	-1.3	0.1	21.1
Revenue (A\$m)	38.4	60.0	79.7	106.1
EV/EBITDA (x)	-333.7	-523.1	5881.9	33.8
P/E (x)	-472.4	-1267.1	1169.7	97.4
Net Income (A\$m)	-1.5	-0.6	0.6	16.5

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

FLN is the world's largest freelancing outsourced service and crowdsourcing marketplace. The company continues to penetrate this large and deep market with an estimated US\$16b per annum revenue opportunity (FLN FY16E revenue est. A\$60.0m).

A sleek and incrementally improving platform has enabled FLN to emerge as one of the fastest growing technology companies listed on the ASX. The company has reported strong and consistent revenue growth (>40% pa) since its inception in 2009, however a recent uptick in project liquidity on the platform illustrates the potential for an acceleration in growth over the coming years.

The company has maintained its stated strategy of investing free cashflow into platform improvements and funnel residual opex into accelerating the growth profile of the business.

We expected positive jaws (revenue growth > expense growth) to occur over the coming years, with the operating leverage driving significant cash generation.

Potential Catalysts

- i) New partnership agreements for its recently acquired escrow.com payments business;
- ii) Potential upgrades at the 1H16 result as platform liquidity for its marketplace accelerates (as evident in 1Q16);
- iii) Accretive acquisitions given the company's strong balance sheet and the negative working capital nature of the business model.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted by:

- i) slowing project posted growth;
- ii) a material increase in the AUDUSD;
- iii) Increasing competition in the space driving down margins;
- iv) Ineffective marketing campaigns;

Base Valuation: Our A\$2.21 target price is derived using a two stage DCF methodology using a 12% discount rate and 6% terminal growth rate.

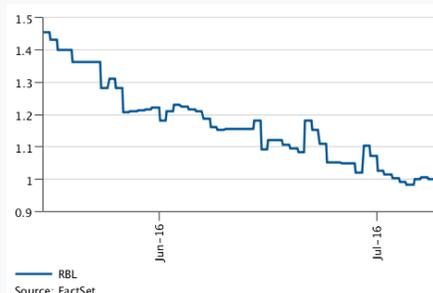
Bull: Our target price could be positively impacted by:

- i) Significant devaluation in the AUD;
- ii) Growth forecasts that exceed our expectations;
- iii) Significant structural shifts to the outsourced services model.

INTERNET SOFTWARE: Redbubble Limited – RBL-AU: A\$1.03 | BUY, A\$2.59 Target

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Redbubble Ltd



Company Statistics

Financials current as of 1-July-2016

Price	A\$1.03
52-w k High	A\$1.46
52-wk Low	A\$0.98
Ave. Daily Vol. (M)	0.2
Market Cap (M)	A\$194.4
Shares Out (M)	198.4
Dividend	A\$0.00
Return to Target %	164.0
Yield %	0.0%

Source: FactSet, Canaccord Genuity

Company Description

Redbubble Limited (RBL) operates an global online marketplace connecting independent artists with customers and a global network of third party fulfillers utilising print on demand technology to fulfil customer orders. As such, Redbubble operates in the retail e-commerce industry, in addition to the specific sub segments of print on demand and online marketplaces for artists and designers.

Source: Canaccord Genuity

Earnings Summary

FYE JUNE	2015A	2016F	2017F	2018F
EPS (A¢ps)	-2.8	-8.2	-3.2	2.1
EBITDA (US\$m)	-6.5	-10.5	-1.4	10.4
Cash Revenue (A\$m)	48.6	71.1	116.0	173.6
EV/EBITDA (x)	-29.9	-14.7	-110.3	14.2
P/E (x)	-35.0	-11.9	-30.7	45.9
Net Income (A\$m)	-6.3	-18.4	-7.1	4.8

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

Redbubble is an ecommerce marketplace that connects artists (400k), who upload their designs/artwork (9.8m) onto the website, to consumers (1.25m in 1H16) that can have those designs printed onto a variety of products (52x), such as garments, phone cases, art prints, home décor and other merchandise.

Based on its Gross Transaction Value (GTV, FY16E ~A\$143m, +62% vs pcp, +91% revenue CAGR since FY11), Redbubble is the industry leader in providing a marketplace for consumers looking for unique content from independent artists.

Redbubble is targeting a number of product initiatives that should aid in accelerating its revenue growth in the near term. These initiatives include a) expanding into new geographies (Europe); b) addition of new product categories (16 in CY16, 15 in CY17, CGAu est.); c) investment in technology solutions (mobile app); and d) conversion of its website into multiple languages.

Potential Catalysts

- i) Reiteration of prospectus forecasts in July/August ;
- ii) Launch of French/Spanish website in 2HCY17;
- iii) Accretive acquisitions given the company's strong balance sheet and the negative working capital nature of the business model;
- iv) Reduction in opex to drive positive operating leverage and cash generation.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted by:

- i) A reduction in the growth rate of artists posted;
- ii) A material increase in the AUDUSD (93% revenue offshore);
- iii) Increasing competition in the space driving down margins;
- iv) Augmentation of Google algorithms given this is a large driver of free traffic.

Base Valuation: Our A\$2.59 target price is derived using a two stage DCF methodology using a 15% discount rate and 2% terminal growth rate.

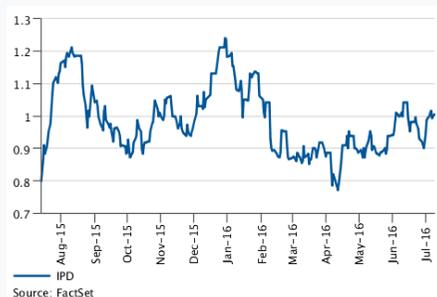
Bull: Our target price could be positively impacted by:

- i) Significant devaluation in the AUD;
- ii) Growth forecasts that exceed our expectations;
- iii) Quality and depth of products on platform (3D printing) drives structural shift to print-on-demand.

MEDICAL DEVICES: Impedimed Limited – IPD-AU: A\$0.99 | BUY, A\$2.65 Target

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Impedimed Limited



Company Statistics

Financials current as of 1-July-2016

Price	A\$0.99
52-w k High	A\$1.25
52-wk Low	A\$0.77
Ave. Daily Vol. (M)	0.5
Market Cap (M)	A\$429.6
Shares Out (M)	373.6
Dividend	A\$0.00
Return to Target %	167.7
Yield %	4.4%

Source: FactSet, Canaccord Genuity

Company Description

Impedimed Limited (ASX:IPD) is developing and commercializing devices for monitoring and managing changes in fluid balance and tissue composition that are associated with the development or progression of various medical conditions such as lymphoedema and heart failure.

Source: Canaccord Genuity

Earnings Summary

FYE DEC	2015A	2016F	2017F	2018F
Lymphoedema revenue	2.0	3.9	15.2	40.0
Heart failure revenue	0.0	0.0	0.0	19.1
NPAT	-14.8	-27.3	-23.4	-0.3
EPS	-5.5	-7.3	-6.3	-0.1
Net cash burn	-10.9	-25.2	-21.6	1.4
Closing cash	32.6	79.9	58.3	59.6

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

Under the leadership of ex-Medtronic executive Rick Carreon, IPD has built a strong business opportunity around its proprietary lymphoedema monitoring test, L-Dex. The company commenced full commercial launch of this test in the US in Dec 2015 and has already signed up over 17 leading US cancer centres. Based on feedback the company received from leading US cardiologists, IPD is now using the same technology to develop a device for monitoring heart failure patients. Fluid build-up is a precursor to cardiac events in these patients. Early detection and intervention (medication, diet and exercise) can avert progression to a major cardiac event. With over 5M patients costing US\$30B in the US alone, monitoring and prevention are a key healthcare focus. The company is in the process of finalizing a commercially manufactured device for heart failure to support a 510(k) approval. The company has also assembled a Medical Advisory Board of 5 leading US cardiologists who are designing and overseeing a clinical trial in collaboration with Harvard Clinical Research Institute to demonstrate the benefits of monitoring heart failure patients with its product. IPD expects to have its heart failure product approved and in the market by mid-2017.

Outlook

In 12-18mths, IPD potentially will have two unique products backed by Level-1 clinical evidence in market addressing key medical unmet needs. This should support a significant rerating of IPD shares.

Potential Catalysts

- Customer adoption and revenue from L-Dex.
- Data from clinical trials for lymphoedema and heart failure.
- Approval and launch of heart failure device.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted by:

- Adoption of L-Dex for monitoring lymphoedema is slower or less extensive than we have forecast;
- Clinical trial data from either or both clinical trials fail to show a substantial benefit from monitoring patients using IPD's technology;
- Extensive delays in the development or regulatory approval of IPD's heart failure product.

Base Valuation: Our A\$2.65 target price is based on a 12-year DCF (11.5% discount rate, no terminal value) assuming 30% share of the addressable US L-Dex market and 15% of the addressable US heart failure market.

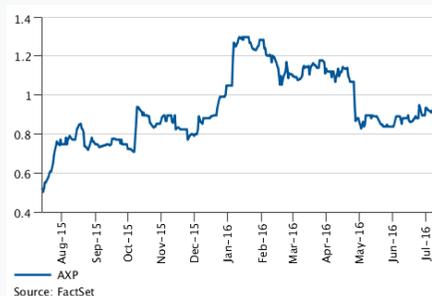
Bull: Our target price could be positively impacted by:

- IPD securing higher market share due to inclusion in treatment guidelines and/or healthcare economic benefits that make their tests standard of care;
- Higher prices for monitoring services for heart failure patients in line with comparative systems (SmartScales);
- Expansion of commercialisation to markets outside the US;
- Additional new products based on IPD's bioimpedance technology platform.

MEDICAL DEVICES: AirXpanders Inc. – AXP-AU: A\$0.93 | BUY, A\$1.50 Target

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AirXpanders Inc.



Company Statistics

Financials current as of 1-July-2016

Price	A\$0.93
52-w k High	A\$1.34
52-wk Low	A\$0.49
Ave. Daily Vol. (M)	0.1
Market Cap (M)	A\$223.3
Shares Out (M)	237.6
Dividend	A\$0.00
Return to Target %	61.3
Yield %	0.0%

Source: FactSet, Canaccord Genuity

Company Description

Airxpanders (ASX:AXP) is a San Francisco based company that has developed a revolutionary tissue expander for use in breast reconstruction surgery in women who have undergone mastectomy during their treatment for breast cancer. The product is approved and for sale in Australia and is currently under review with the FDA for US approval that is expected at the end of 2016.

Source: Canaccord Genuity

Earnings Summary

FYE DEC	2015A	2016F	2017F	2018F
AU AeroForm Sales	0.3	1.6	2.5	3.1
US AeroForm Sales	0.0	0.0	8.0	33.9
NPAT	-10.7	-12.1	-6.5	10.2
EPS	-5.1	-5.7	-3.1	4.8
Net cash burn	-13.7	-14.5	-7.5	9.2
Closing cash	17.2	1.2	-7.8	1.5

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

AXP has developed a revolutionary tissue expander for use in breast reconstruction surgery. All expanders currently in the market require injections of saline through the chest muscle in order to create a cavity that can eventually accommodate a permanent silicone implant. AXP's AeroForm uses a gas (carbon dioxide) that is released from a small canister inside the expander. Release of the gas is controlled by a hand-held, wireless device that is activated by the patient up to three times a day to deliver a total of 30ml per day. This approach results in more rapid, non-painful expansion which is directly controlled by the patient and thus eliminates many of the doctor appointments that are required for saline injections. As a result, this product secured 20% of the Australian expander market within 6 months of launch with several clinics using it for the majority of their patients. Consequently, we are expecting strong adoption of AeroForm in the US once the company secures FDA approval, which it expects in Q4 2016.

Outlook

Strong adoption of AeroForm by breast reconstruction surgeons in the Australian market provides a compelling lead indicator of the commercial potential for AeroForm in the larger US market.

Potential Catalysts

- Quarterly reports confirming ongoing growth or AU market share
- FDA approval leading to commercial launch in US market
- Commissioning of high volume production line in Costa Rica

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted by:

- Slower adoption or delays in manufacturing result in slower than forecast sales growth;
- The FDA's review of AXP's application for marketing approval in the US being delayed or requiring the company to generate additional data.
- Adverse events reported from use of the product in a commercial setting resulting in more cautious uptake.

Base Valuation: Our A\$1.50 target price is based on a 12-year DCF (12.3% discount rate, no terminal value) assuming 50% share of the addressable AU market and 40% of the addressable US market for tissue expanders.

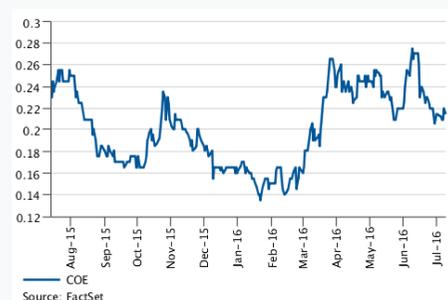
Bull: Our target price could be positively impacted by:

- Higher or more rapid securing of market share due to AeroForm becoming the expander of choice for the majority of breast reconstruction processes;
- AXP or a partner commence marketing and sales of AeroForm outside of Australia and the US;
- One of the leading players in the expander market, Mentor (J&J) or Allergan (Valeant) aims to secure commercial rights to the product via a license agreement or takeover.

ENERGY: Cooper Energy Ltd. – COE-AU: A\$0.22 | Buy, A\$0.34 Target

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Cooper Energy Ltd.



Company Statistics

Financials current as of 1-July-2016

Price	A\$0.22
52-w k High	A\$0.28
52-wk Low	A\$0.14
Ave. Daily Vol. (M)	0.5
Market Cap (M)	A\$100.1
Shares Out (M)	435.2
Dividend	A\$0.00
Return to Target %	54.5
Yield %	0.0%

Source: FactSet, Canaccord Genuity

Company Description

Cooper Energy Ltd. is an oil and gas exploration and development company. The company's exploration tenements include Cooper basin, Otway basin and Gippsland basin in Australia. The company is headquartered in Adelaide, Australia.

Source: Canaccord Genuity

Earnings Summary

FYE JUNE	2015A	2016F	2017F	2018F
P/E (x)	-53.7	-180.4	63.9	1107.0
EBITDA (A\$m)	-11.2	-21.6	3.0	6.1
EV/EBITDA (x)	-4.3	-2.0	38.9	39.0
EV/BOEPD	37.0	32.0	140.0	315.0
Total Production (boe/d)	1302	1326	841	759

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

- Extremely tight gas market – Victorian spot gas prices have averaged \$14/GJ in July-16 up 180% vs pcp as the system struggles to manage the start-up of three LNG megaprojects in QLD and domestic demand.
- Sole supplier of gas – Cooper's Sole gas development is 90% through the FEED process and is on track for a final investment decision at the back-end of 3Q16. This project, once complete, will transform Cooper's earnings and cashflow, as we see it, lifting EBITDA towards \$75m and operating cashflow to over \$60m.
- Building at the right time – investors have been rightly critical of cost overruns and schedule delays at a number of recent O&G projects. While this cannot be completely discounted at Sole it is being built in a down-cycle where costs are reducing and access to higher quality construction/engineering is possible.

Potential Catalysts

- Completion of FEED: Increasing likelihood of current \$550m cost estimate being lowered.
- Data room completion: After a slow start interest in the process has increased; we believe a positive window to value is increasingly likely.
- Further gas agreements: Cooper has contracted 60% of its 1.21PJ 2C resource and it could look to execute additional contracts.
- Finalise funding package: we understand that there has been high level of interest in funding the project from a number of financial institutions.

Performance Metrics

Potential upside based on our price target is +60% with meaningful optionality around additional exploration upside.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted by:

- failing to secure a sell-down from its dataroom process; or
- failing to secure funding for the Sole gas development.

Base Valuation: Our \$0.34ps target price is based on our DCF valuation using a 10% WACC.

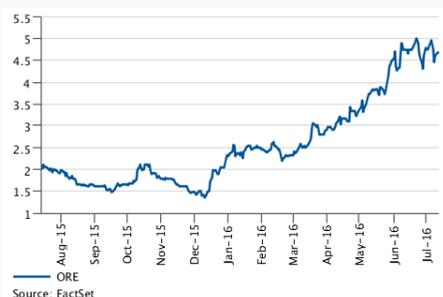
Bull: Our target price could be positively impacted by:

- delivering on a final investment decision for Sole in the 3Q;
- seeing costs come down from its original \$550m budget for the development; or
- exploration success at the 700+PJ Manta exploration well.

SPECIALITY MINERALS: Orocobre Limited. – ORE-AU: A\$4.74 | BUY, A\$6.00 Target

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Orocobre Limited



Company Statistics

Financials current as of 1-July-2016

Price	A\$4.74
52-wk High	A\$5.05
52-wk Low	A\$1.33
Ave. Daily Vol. (M)	1.3
Market Cap (M)	A\$1,026.0
Shares Out (M)	209.5
Dividend	A\$0.00
Return to Target %	26.6
Yield %	0.0%

Source: FactSet, Canaccord Genuity

Company Description

Orocobre is a Lithium development company whose primary asset is the Salar de Olaroz Lithium-Potash project in NW Argentina. ORE has secured a debt financing package along with a significant equity injection allowing it to commence construction. Production is forecast to commence in Q4 2014 targeting 17,500tpa of lithium carbonate.

Source: FactSet

Earnings Summary

FYE June	2015A	2016F	2017F	2018F
EPS (A\$ps)	-0.7	-19.3	36.4	37.4
EBITDA (a\$M)	-9.3	-34.9	76.4	77.4
Revenue (A\$m)	24.9	25.4	25.9	26.3
EV/EBITDA (x)	nm	nm	12.3	11.5
P/E (x)	nm	nm	13.0	12.6
NPAT (A\$m)	-1.1	-36.2	75.7	78.0

Source: Company Reports, Canaccord Genuity estimates

Investment Highlights

i) Olaroz production ramp up – nameplate rates expected in DecQ'16

After a prolonged commissioning of the Li₂CO₃ plant, production at Olaroz is now meeting ramp-up targets following the completion of plant rectification works in early 2016. Production for the JunQ has been guided to 3,000t Li₂CO₃, comparing to CGAu estimates of 3,050t. ORE has guided to achieving nameplate production (17.5ktpa) in SepQ'16 (CGe Dec 16).

ii) Olaroz Stage 2 expansion

ORE has commenced studies into an expansion of production at Olaroz to 35ktpa Li₂CO₃. Capital costs have been flagged at US\$140m (~50% lower than initial production capacity). Studies are due for completion by 1H17 ahead of an investment decision by mid-2017.

iii) Update on LiOH project with Tenova-Bateman expected soon

In Nov 2015, ORE announced it had entered into an MoU with Tenova-Bateman for the staged development of a LiOH production facility (location TBC).

LiOH is the preferred feedstock for the growing Li-ion battery sector and hence offers a rapidly emerging market for future production.

Potential Catalysts

- Meeting or exceeding production guidance of 3kt of Li₂CO₃ for JunQ16 along with a greater proportion (↑75%) of battery grade production.
- Update on Stage 2 expansion and LiOH projects.
- Improved product pricing through higher lithium prices.

Performance Metrics

Share price is up 97% from start of year and 77% since A\$85m capital raise in Jan/Feb'16. Potential upside based on our price target is 27%.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted by:

- A slowdown in production ramp up at Olaroz to not achieve production targets (ie 17.5ktpa by Dec 16);
- A material change in the fiscal (inflation and FX exposure) or political situation in Argentina;
- Lower revenue due to a drop in expected product pricing or not meeting customer's product specifications.

Base Valuation: Our A\$6.00 target price comprises our estimated NPV_{10%} of dividends from the Olaroz JV and Borax Operations net of corporate and other adjustments.

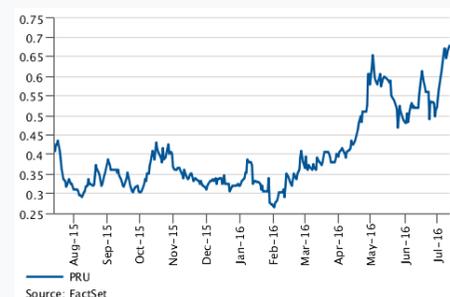
Bull: Our target price could be positively impacted by:

- Achieving increased contract product pricing
- Achieving higher than expected production rates and/or increased product purity from Olaroz enabling more product to be sold into more lucrative spot Li₂CO₃ market.
- Favorable outcomes from studies into development of the LiOH project in partnership with Tenova-Bateman
- Faster development to stage 2 expansion.

PRECIOUS METALS: Perseus Mining Limited. – PRU-AU: A\$0.56 | BUY, A\$1.05 Target

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Perseus Mining Limited



Company Statistics

Financials current as of 1-July-2016

Price	A\$
52-w k High	A\$
52-wk Low	A\$
Ave. Daily Vol. (M)	
Market Cap (M)	A\$
Shares Out (M)	10
Dividend	A\$
Return to Target %	
Yield %	
Source: FactSet, Canaccord Genuity	

Company Description

Perseus Mining is a gold mining and development company. Its primary assets include the 210kozpa Edikan gold mine in Ghana, the +75kozpa Sissingue development in Cote d'Ivoire, and the +220kozpa Yaoure development project, also in Cote d'Ivoire.

Source: Canaccord Genuity

Earnings Summary

FYE June	2015A	2016F	2017F	2018F
EPS (A\$ps)	0.04	0.00	-0.01	0.00
EBITDA (A\$m)	118.6	26.5	52.9	133.2
Revenue (A\$m)	333.5	277.9	390.4	584.2
EV/EBITDA (x)	2.0x	8.3x	11.2x	5.0x
P/E (x)	16.1x	275.3x	-130.3x	143.9x
NPAT (A\$m)	92.2	-34.9	-23.3	21.1

Source: Company Reports, Canaccord Genuity estimates

Investment Highlights

i) Improved outlook at Edikan

A revised LOMP at the Edikan gold mine sees significant reductions in sustaining capital, which combined with stronger gold prices, should result in an earlier return to positive cashflow (1Q17) versus previous expectations. FY16 production of 154koz was within guidance, while FY17 should see volume growth with CGAu estimates of 210koz at US\$1,263/oz AISC.

ii) Sector leading production growth through Sissingue and Yaoure projects

PRU has all but secured funding for the 75kozpa Sissingue project in Cote d'Ivoire through a recent A\$102m capital raising. We expect this project to take Group production to 310koz in FY18. PRU has also commenced studies into developing the +220kozpa Yaoure project also in Cote d'Ivoire, which could be online by FY20, increasing production by +230% to +500kozpa in CY20.

iii) Best leverage to gold price, and best value in CGAu gold coverage

PRU trades on a P/NAV multiple of 0.6x versus a sector average valuation multiple of 1.2x. Furthermore, we estimate that it also offers the best leverage to rising gold prices (up 28% YTD in US\$/oz terms) of our gold sector coverage.

Potential Catalysts

- Positive moves in the gold price
- Finalisation of debt funding for Sissingue
- SepQ Edikan production (Oct 2016)

Performance Metrics

Share price is up 109% YTD and 34% since A\$102m capital raise in Jun'16. Potential upside based on our price target is 57%.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted by:

- Lower revenue through falls in the gold price;
- Missed production targets at Edikan
- Missed development milestones at Sissingue.

Base Valuation: Our A\$1.05 target price comprises our estimated NPV_{5%/10%} of operating and development assets net of corporate and other adjustments.

Bull: Our target price could be positively impacted by:

- Increases in the gold price
- Exceeding production and cost targets at Edikan
- Study results from Yaoure which outline lower capital/operating costs or higher production.

CONSUMER SERVICES: G8 Education Ltd. – GEM-AU: A\$3.83 | BUY, A\$4.94 Target

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G8 Education Ltd



Source: FactSet

Company Statistics

Financials current as of 1-July-2016

Price	A\$3.83
52-wk High	A\$4.19
52-wk Low	A\$2.86
Ave. Daily Vol. (M)	3.5
Market Cap (B)	A\$1.4
Shares Out (M)	361.7
Dividend	A\$0.24
Return to Target %	28.9
Yield %	6.3%

Source: FactSet, Canaccord Genuity

Company Description

G8 Education is the largest private operator of childcare and education centres in Australia with over 470 centres.

Source: FactSet

Earnings Summary

FYE DEC	2015A	2016F	2017F	2018F
Revenue (A\$m)	689.4	847.2	937.9	986.5
EBITDA (A\$m)	171.1	189.1	208.8	218.9
NPAT (A\$m)	87.1	112.4	125.0	132.4
EPS (A¢ps)	24.1	29.9	33.0	35.0
PE (x)	15.9	12.8	11.6	11.0
EV/EBITDA (x)	10.2	9.3	8.6	8.2
Dividend	24.0	24.0	24.0	24.0
Yield %	6.3%	6.3%	6.3%	6.3%

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

- i) Attractive metrics – GEM has a strong track record of growth with 5-year (2010-2015) EPS CAGR of 36.7%. We are forecasting EPS growth of 24.2% in FY16 and 10.3% in FY17. GEM is currently priced on a CY16 PER of 12.8x and CY17 PER of 11.6. This represents a 15-20% discount to the S&P/ASX 200.
- ii) Large fragmented market – Growth has been driven largely by consolidation of the fragmented childcare sector. There are approximately 6,900 childcare centres in Australia and GEM has an estimated 6.5% market share. We estimate GEM has ~\$50m of debt capacity for acquisitions and this will be supplemented by operating cashflow. GEM is targeting \$50m-\$150m of acquisitions per annum.
- iii) Regulatory tailwinds – the government is very supportive of childcare, providing on average 50% of the cost of childcare via subsidies totaling \$10b per annum. A new childcare funding package that will see funding increase by \$3.2b over four years is expected to come into effect in 2018, which will assist in driving occupancy across the sector.

Potential Catalysts

- i) Passing of the funding package for childcare (post-election)
- ii) Acquisitions on attractive multiples that drives EPS upgrades

Performance Metrics

GEM's share price has increased by 9.4% this year (since 01 January 2016), which compares to the S&P/ASX 200 Index, which is down -0.5%.

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted should:

- i) GEM not make sufficient acquisitions that we have assumed in our model;
- ii) New supply come on in excess of demand impacting occupancy;

Base Valuation: Our A\$4.94 PER based valuation is derived using the average for the Small Industrials of 16.5x and applying it to our CY16 estimate of 29.9c. Our EPS estimate assumes \$6m of EBIT from acquisitions in the CY16 year.

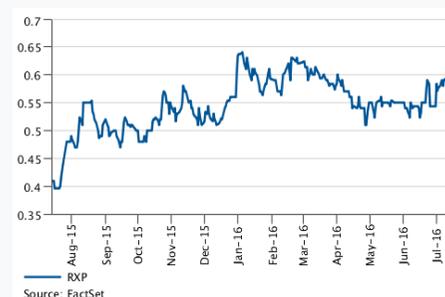
Bull: Our target price could be positively impacted should:

- i) Acquisitions be greater than we forecast;
- ii) Organic growth through increases in occupancy be achieved;
- iii) Regulatory funding is increased above stated levels.

IT Consulting: RXP Services Limited – RXP-AU: A\$0.57 | BUY, A\$0.85 Target

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RXP Services Ltd



Company Statistics

Financials current as of 1-June-2016	
Price	A \$0.57
52-wk High	A \$0.64
52-wk Low	A \$0.40
Ave. Daily Vol. (M)	263896.0
Market Cap (B)	A \$79.3
Shares Out (M)	139.2
Dividend	A \$0.03
Return to Target %	49.1
Yield %	4.4%

Source: FactSet, Canaccord Genuity

Company Description

RXP offers a range of services including: Strategic Advisory Services, BI & Information Management, Business Process, Optimisation & Automation, Enterprise Service Management, Infrastructure & Cloud Services, Project Services, Change & Communications, Integration and Web & Mobile Development services. These services offered by RXP are structured such that they complement the clients' internal ICT capabilities and can be summarised into 4 categories, namely: Professional Placements, Management Consulting, Technology Services and Support & Maintenance.

Earnings Summary

FYE JUNE	2015A	2016F	2017F	2018F
EPS (Acps)	5.7	7.8	8.8	9.4
EBITDA (US\$m)	11.1	16.3	18.2	19.3
Revenue (A\$m)	78.9	120.0	133.5	141.4
EV/EBITDA (x)	6.9	5.3	4.4	3.7
P/E (x)	10.0	7.3	6.5	6.1
Net Income (A\$m)	7.8	10.9	12.4	13.3

Source: Company reports, Canaccord Genuity Australia estimates

Investment Highlights

RXP Services is an information & communications technology professional services company providing services to medium and large private and public sector agencies.

RXP competes in a large and highly fragmented IT Services industry with a combined TAM of \$49.5b (Consulting \$9.9b). Technology is rapidly devolving with IT a critical part of the Australian economy as firms continuously seek to innovate to become more productive. IT spend currently accounts for approximately ~5% of Aust. GDP.

Over the previous three years, the company has grown through acquisitive and organic means to become a serious player in the domestic IT Services industry. The company finished Dec-15 with headcount of 653 (FY15: 470, FY14: 420, FY13: 212) with its strong recruitment profile continuing into 2H16.

Potential Catalysts

- Continuation of RXP's upgrade cycle at the FY16 results (August);
- Revelations around "RXP as a Service" following commercialisation/licensing of its internally developed software solutions (Field Services);
- Accretive acquisitions given the company's balance sheet position (Assets/Equity 1.3x);
- Progressive dividend policy maintained, with potential upside to its current payout ratio (35%);

Bear↓ – Base – Bull↑
Target Price Scenarios

Bear: Our target price could be negatively impacted by:

- Deferral of large projects lowering staff utilization rates;
- Future acquisitions underperforming management expectations;
- A reduction in the general IT spend in Australia.

Base Valuation: Our A\$0.85 target price is derived using a two year average EV/EBIT multiple.

Bull: Our target price could be positively impacted by:

- RXP continuing to acquire accretively;
- Growth forecasts that exceed our expectations;
- Licensing/sale of "RXP as a Service" product offering.

The Canaccord Genuity Australian research team

Canaccord Genuity's team of 14 research analysts in Australia is one of the largest small cap teams in the country and maintains a focus on growth stocks.



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Aaron Muller has over 20 years of experience in financial markets, including more than 15 years in stockbroking and corporate finance.

Prior to joining Canaccord Genuity, Aaron worked as a small cap industrials analyst at a number of firms including D&D Tolhurst and Patersons Securities. Most recently, he was with boutique institutional stockbroker, Balnave Capital, which he founded in 2005, a firm that specialised on small cap research.

He holds a Bachelor of Business (Accountancy) degree from Queensland University of Technology and a Graduate Diploma in Applied Finance and Investment from FINSIA.



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Warren Jeffries has over 15 years' experience in small cap research. Warren left a management accounting role at Coles Myer in 2000 to join D&D Tolhurst as an equities analyst specialising in the retail sector and emerging companies.

In 2004 Warren moved to Austock Group as an emerging companies analyst before joining Balnave Capital in May 2008. Warren joined Canaccord Genuity in December 2010 after Balnave was acquired by (then named) BGF Equities.



Chris Northwood Senior Industrials Analyst | [Phone +61 3 8688 9136](tel:+61386889136) [Email chris.northwood@canaccord.com.au](mailto:chris.northwood@canaccord.com.au)

Chris Northwood has 11 years' experience in financial markets, as well as 10 years of executive operational business experience in consumer goods marketing, sales and manufacturing/sourcing.

Chris joined Canaccord Genuity in March 2015 with an intended focus on retail, e-commerce, distribution, technology and emerging industrial companies. Prior to this, Chris was with Merricks Capital, as a long/short market-neutral hedge fund investment analyst working in the industrial supply chain sector.

Chris holds a Bachelor of Business (Investment & Valuation) degree from RMIT Melbourne and Graduate Diploma of Applied Finance and Investment from FINSIA.



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Conor O'Prey has 12 years' experience in financial markets, across Commodities and Equities. Conor spent four years at ABN AMRO/RBS in London before moving to Australia where he continued his career at PhillipCapital and Patersons Securities. After spending two years widening his experience in the private wealth sector, Conor joined Canaccord Genuity in May 2016.

Originally a Chemical Engineer, Conor spent nearly nine years in Product Development at Procter & Gamble before studying for an MBA at the University of Oxford and starting his career in Finance, covering a wide range of industrial sectors.



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Owen Humphries joined Canaccord Genuity in August 2013 having five years' experience in investment markets.

Prior to joining Canaccord Genuity, Owen worked as an Investment Analyst at Adam Smith Asset Management with a particular focus on emerging industrial companies. After starting his career as an Equity Strategist at Macquarie Group, Owen's passion for emerging companies was enhanced as a lead analyst with ANZ Equities/LINWAR.

Owen holds a Bachelor in Actuarial Studies and a Bachelor of Finance.



Cameron Bell Senior Industrials Analyst | [Phone +61 3 8688 9152](tel:+61386889152) [Email cameron.bell@canaccord.com.au](mailto:cameron.bell@canaccord.com.au)

Cameron Bell joined Canaccord Genuity in October 2013, with over eight years' experience in equities. Since beginning his career with Austock in 2007, he has worked in equities research, institutional broking and corporate advisory. Prior to joining Canaccord Genuity he was an Analyst with Phillip Capital.

His qualifications include a Bachelor of Commerce and Bachelor of Economics and he is currently working towards a CFA designation. At Canaccord Genuity, Cameron focuses on property and emerging industrial companies.



Benn Skender Senior Industrials Analyst | [Phone +61 3 8688 9105](tel:+61386889105) [Email benn.skender@canaccord.com.au](mailto:benn.skender@canaccord.com.au)

Benn Skender joined Canaccord Genuity in May 2016, with over ten years' experience in financial markets. Benn commenced equities research coverage of the Australian small/midcap industrials sector at Patersons Securities in 2003, and subsequently joined the Emerging Companies team at Macquarie Group in 2006. Previously, he worked in Corporate Finance at KPMG.

Benn holds a Bachelor of Commerce (Accounting & Information Systems), a Graduate Diploma in Chartered Accounting from the ICAA, and a Graduate Diploma in Applied Finance & Investment from FINSIA.



Matthijs Smith Senior Lifesciences Analyst | [Phone +61 3 8688 9107](tel:+61386889107) [Email matthijs.smith@canaccord.com.au](mailto:matthijs.smith@canaccord.com.au)

Matthijs Smith joined Canaccord Genuity in September 2012. Matthijs has over eight years' experience as an Equities Analyst at Shaw Stockbroking, Lodge Partners and Patersons where he focused on emerging companies. Prior to moving into the capital markets, he held senior executive roles in the biotech industry as well as worked at the Boston Consulting Group.

Matthijs has several years of experience in medical research including a PhD from University of London, postdoctoral research at the University of Melbourne and worked as an assistant editor at the journal Nature. He also holds an MBA from Melbourne Business School in Australia.



Alex Cowie Specialist Analyst | [Phone +61 3 8688 9130](tel:+61386889130) [Email alex.cowie@canaccord.com.au](mailto:alex.cowie@canaccord.com.au)

Alex Cowie co-ordinates Canaccord Genuity's small companies research program, 'Canaccord Colts', and its market distribution. This provides an incubator for small caps identified by the institutional research team as having midcap potential.

Alex has seven years' experience in production and distribution of market research and commentary, across both modern and traditional channels.

Alex joined Canaccord Genuity in July 2014.



Reg Spencer Senior Mining Analyst | [Phone +61 2 9263 2701](tel:+61292632701) [Email reg.spencer@canaccord.com.au](mailto:reg.spencer@canaccord.com.au)

Reg Spencer joined Canaccord Genuity in 2009 as a Mining Analyst, and has nine years' experience in the resources and finance sectors. This includes previous roles with several Australian and UK based corporate finance houses/stockbrokers, as well as a number of corporate development and managerial positions with several listed and unlisted mining and exploration companies.

His current research coverage focuses primarily on precious metals companies, including mid-cap production companies through to earlier stage exploration companies.

Reg holds a Bachelor of Business degree and holds post graduate qualifications in Applied Finance.



Tim McCormack Mining Analyst | [Phone +61 8 6216 2088](tel:+61862162088) [Email tim.mccormack@canaccord.com.au](mailto:tim.mccormack@canaccord.com.au)

Tim McCormack joined Canaccord Genuity in February 2015 as a Mining Analyst.

Tim has previously held similar roles at Patersons Securities and Euroz Limited. Prior to this Tim spent three years in the mining industry as a geologist.

As one of Canaccord Genuity's first Perth-based employees, Tim is delivering on the ground perspectives across a broad range of mining equities and commodities.

Tim holds a Bachelor of Commerce and a Bachelor of Science (Geology).



Larry Hill Associate Mining Analyst | [Phone +61 2 9263 2745](tel:+61292632745) [Email larry.hill@canaccord.com.au](mailto:larry.hill@canaccord.com.au)

Larry Hill joined Canaccord Genuity in March 2015 as an Associate Mining Analyst, with seven years' experience within the Mining Industry across a broad commodity base.

Commencing his career as a Metallurgist with Rio Tinto, Larry worked in technical and operational roles within the Iron Ore, Copper, Industrial Minerals and Uranium Business Units. More recently he spent three years at Teranga Gold Corporation in Senegal, West Africa focusing on the successful expansion of the Sabodala Gold Operations.

Larry holds a Bachelor of Engineering (Honours) – Chemical from the University of Melbourne, MBA from Curtin University and a Master of Applied Finance from FINSIA.



Johan Hedstrom Specialist Analyst | [Phone +61 2 9263 2744](tel:+61292632744) [Email johan.hedstrom@canaccord.com.au](mailto:johan.hedstrom@canaccord.com.au)

Johan Hedstrom joined Canaccord Genuity in August 2013. Johan is an experienced Oil & Gas analyst, having started his career as a geologist.

Since 1984 he has worked in funds management at AMP, and on the Sell-side at firms such as Citigroup, BBY, Ord Minnett and the last six years at Bell Potter. Johan also worked in independent research for five years with Aegis Equities (now Morningstar) as a Resources Analyst and Head of Research.

Johan has particular expertise in small to mid-cap stocks that tend to be overlooked by the market, with an emphasis on asset valuations and assessing the strategic directions of emerging companies.



James Bullen Senior Energy Analyst | [Phone +61 2 9263 2728](tel:+61292632728) [Email james.bullen@canaccord.com.au](mailto:james.bullen@canaccord.com.au)

James Bullen has nine years' experience in equity research, starting initially at Citi before joining BAML in 2009, where he was part of the highly regarded Energy team for 5 years, including Lead analyst for two of those years. While there, he received a series of awards including Starmine #1 Stock Picker in 2013 and was involved in a number of capital raisings and IPO's in the energy sector. Most recently, James was the Lead Energy Analyst at Taylor Collinson.

James is an engineer by training and worked with ExxonMobil for five years prior to his move into equities. He has a Bachelor of Engineering (Chemical and Materials) from the University of Auckland and has a raft of other training under his belt.

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Hold	289	31.76%	19.38%
Sell	27	2.97%	7.41%
Speculative Buy	55	6.04%	72.73%
	910*	100.0%	

*Total includes stocks that are Under Review

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