

Foresight Autonomous Holdings

Q118 results

Tremendous enthusiasm and higher cash burn

Foresight Autonomous's Q118 results reveal an R&D-heavy start to the year, leading to an increase in cash burn to \$5.1m (Q117: \$1.9m). The group ended the quarter with \$16.7m cash reserves after outlays of \$2.6m on operations, a \$2.2m cash injection into Rail Vision (RV) and \$160k in capex. Management has reported "tremendous enthusiasm" for its quad-camera systems from the US, Europe and Asia following CES 2018 in January. It has also successfully concluded a multi-user trial of mobile phone-based road safety technology, EyeNet. Our DCF valuation has risen NIS0.07 to NIS5.06 as a result of US dollar strength.

Year end	Revenue (\$m)	EBITDA* (\$m)	PBT* (\$m)	EPS* (\$)	DPS (\$)	EV/revenue (x)	P/E (x)
12/16	0.0	(3.3)	(3.4)	(0.05)	0.00	N/A	N/A
12/17	0.0	(6.4)	(5.3)	(0.06)	0.00	N/A	N/A
12/18e	0.0	(10.9)	(13.3)	(0.12)	0.00	N/A	N/A
12/19e	2.6	(13.1)	(11.6)	(0.11)	0.00	21.2	N/A

Note: *EBITDA, PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

R&D spend pushes up Q1 spend: RV stake revalued

Operating cash flow and normalised EBITDA (\$2.8m) in the quarter rose to reach 25% and 26% of our full-year forecasts. This means the group will need to focus on spending at current levels if cash reserves are to last into Q319. First quarter expenses were boosted by a 46% q-o-q increase in R&D costs to \$2.1m, which reflected a high level of new hires and subcontractor use. With less rapid growth in M&S and G&A outlays, normalised EBITDA loss increased 25% q-o-q to \$2.8m. Equity losses at RV trebled y-o-y to \$0.6m in the quarter. In addition to investing \$2.2m in RV via warrant conversions, Foresight revalued the group's stake and warrant holdings in RV by \$6.8m during the quarter. We have incorporated this into our model, without any impact on our underlying forecasts.

Spin off of Tamda to increase visibility and funding

Later this year the group should complete the spin-off of its Eye-Net branded vehicle-to-everything cellular-based accident prevention solution into the TASE listed shell company TAMDA. After completion of the deal Foresight will have a 74.5% stake in Tamda which will have NIS 2m in cash reserves provided by the other shareholders. This should help further fund development of Eye-Net while enabling FRXS to keep its funding and cash focused on core product Quad-Sight.

Valuation: Dollar DCF valuation unchanged

With our cash flow forecasts unchanged by the company's revaluation of its stake in RV, our US dollar DCF valuation remains unchanged, at \$7.09 per ADR. Recent US dollar strength vs the NIS has increased the NIS valuation by NIS0.07 to NIS5.06. Losses at RV rose sharply during the quarter. Nevertheless, with RV having recently been asked to conduct a follow-on, long-term paid pilot of its rail advanced driver assistance system (ADAS) by a leading European train operator, we see strong potential to boost the value we apply to Foresight's 32.6% stake from the current \$15.4m if the trial leads to orders for its product.

Software & comp services

12 June 2018

Price* **NIS2.00/\$2.89**

Market cap **NIS220m/\$64m**

*Priced at 9 June 2018

NIS3.57/US\$

Net cash (\$m) at 31 March 2018 16.7

Shares in issue 110.0m

Free float 67.3%

Code FRXS

Primary exchange TASE

Secondary exchange NASDAQ

Share price performance



% 1m 3m 12m

Abs (3.9) (29.7) (72.1)

Rel (local) (8.3) (32.0) (74.1)

52-week high/low NIS8.2 NIS2.0

Business description

Foresight Autonomous Holdings is a technology company in Israel engaged in the design, development and commercialisation of stereo/quad-camera automotive vision systems and V2X cellular-based solutions. It has a 32% stake in rail ADAS specialist Rail Vision.

Next events

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Exhibit 1: Financial summary

	\$m	2016	2017	2018e	2019e	2020e
31 December		US GAAP	US GAAP	US GAAP	US GAAP	US GAAP
INCOME STATEMENT						
Revenue		0.0	0.0	0.0	2.6	14.6
Cost of Sales		N/A	0.0	(1.3)	(2.9)	(8.9)
Gross Profit		N/A	0.0	(1.3)	(0.3)	5.7
EBITDA (norm)		(3.3)	(6.4)	(10.9)	(13.1)	(8.8)
Operating profit (norm)		(3.3)	(6.4)	(10.9)	(13.1)	(8.9)
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	0.0
Share-based payments		(0.4)	(2.5)	(2.7)	(2.7)	(4.0)
Reported operating profit		(3.8)	(8.9)	(13.6)	(15.8)	(12.9)
Net Interest		0.1	1.0	0.1	(0.0)	(0.1)
Joint ventures & associates (post tax)		(0.1)	0.2	(2.4)	1.5	6.5
Exceptionals		1.8	(8.2)	6.8	0.0	0.0
Profit before tax (norm)		(3.4)	(5.3)	(13.3)	(11.6)	(2.4)
Profit before tax (reported)		(1.9)	(15.9)	(9.2)	(14.3)	(6.4)
Reported tax		0.0	0.0	0.0	0.0	0.0
Profit after tax (norm)		(3.4)	(5.3)	(13.3)	(11.6)	(2.4)
Profit after tax (reported)		(1.9)	(15.9)	(9.2)	(14.3)	(6.4)
Minority interests		0.0	0.0	0.0	0.0	0.0
Discontinued operations		0.0	0.0	0.0	0.0	0.0
Net income (normalised)		(3.4)	(5.3)	(13.3)	(11.6)	(2.4)
Net income (reported)		(1.9)	(15.9)	(9.2)	(14.3)	(6.4)
Basic average number of shares outstanding (m)		67.3	94.4	109.7	110.0	110.0
EPS – basic normalised (\$)		(0.050)	(0.056)	(0.121)	(0.106)	(0.022)
EPS – diluted normalised (\$)		(0.050)	(0.056)	(0.121)	(0.106)	(0.022)
EPS – basic reported (\$)		(0.028)	(0.169)	(0.084)	(0.130)	(0.058)
Dividend (\$)		0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		N/A	N/A	N/A	N/A	458.4
Gross margin (%)		N/A	N/A	N/A	-11.3	39.3
EBITDA margin (%)		N/A	N/A	N/A	-499.6	-60.4
BALANCE SHEET						
Fixed assets		1.4	3.4	8.1	7.5	13.5
Intangible assets		0.0	0.0	0.0	0.0	0.0
Tangible assets		0.1	2.0	2.4	2.8	3.1
Investments & other		1.3	1.4	5.7	4.8	10.4
Current assets		3.9	24.7	13.4	6.1	8.0
Stocks		0.0	0.0	0.0	0.0	0.0
Debtors		0.0	0.5	0.5	0.4	2.4
Cash & cash equivalents		3.8	21.8	8.3	1.0	1.0
Other		0.1	2.4	4.6	4.6	4.6
Current liabilities		(0.5)	(1.1)	(1.2)	(7.3)	(18.5)
Creditors		(0.5)	(1.1)	(1.2)	(0.6)	(0.5)
Tax and social security		0.0	0.0	0.0	0.0	0.0
Short-term borrowings		0.0	0.0	0.0	(6.6)	(18.0)
Other		0.0	0.0	0.0	0.0	0.0
Long-term liabilities		(0.1)	(2.1)	(2.1)	(2.1)	(2.1)
Long-term borrowings		0.0	0.0	0.0	0.0	0.0
Warrant conversion and other long-term liabilities		(0.1)	(2.1)	(2.1)	(2.1)	(2.1)
Net assets		4.7	24.8	18.3	4.3	0.9
Minority interests		0.0	0.0	0.0	0.0	0.0
Shareholders' equity		4.7	24.8	18.3	4.3	0.9
CASH FLOW						
Operating cash flow before WC and tax		(3.3)	(6.4)	(10.9)	(13.1)	(8.8)
Working capital		0.8	0.3	0.0	(0.5)	(2.1)
Exceptional & other		0.2	0.0	0.0	0.0	0.0
Tax		0.0	0.0	0.0	0.0	0.0
Net operating cash flow		(2.4)	(6.0)	(10.9)	(13.6)	(11.0)
Capex		(0.1)	(0.3)	(0.5)	(0.4)	(0.4)
Acquisitions/disposals		(1.3)	0.0	(2.2)	0.0	0.0
Financial expenses		0.0	0.0	0.0	0.0	0.0
Equity financing		6.3	23.4	0.0	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0
Other		1.2	(0.0)	0.0	0.0	0.0
Net cash flow		3.8	17.1	(13.6)	(13.9)	(11.4)
Opening net debt/(cash)		0.0	(3.8)	(21.8)	(8.1)	5.8
FX		0.0	0.9	0.0	0.0	0.0
Other non-cash movements		0.0	0.0	0.0	0.0	0.0
Closing net debt/(cash)		(3.8)	(21.8)	(8.1)	5.8	17.1

Source: Company accounts, Edison Investment Research

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