

Paterson's - XTEK Limited (XTE) - Revenue at upper end of guidance - Spec Buy

XTEK Limited (XTE)	\$0.46/sh
Recommendation: Spec Buy	Mkt Cap: \$18.5m
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Event

- XTEK Limited (XTE) has released a market update, highlighting revenue which reached the upper end of guidance.
- XTE has stated its FY18 is c.\$17.2m (at the upper end of the \$11m to \$18m guidance range given).
- XTE has also reiterated its FY19 revenue guidance of \$17m to \$26m. Contracted revenue at end of FY18 was c.\$38m.
- As at 30 June 2018, XTE had cash of \$5.9m, up from \$2.9m 12 months prior.

Chart 1 : Revenue Guidance

Source: XTEK Limited

Impact

- A positive FY18 for XTE reaching the top end of revenue guidance, which should give the market confidence in achieving closer to the higher end of guidance for FY19.
- The FY18 revenue is thus closer to our Bull case scenario, which we have valued at \$1.54/sh. We note the share price is currently trading below our base case valuation and bear case scenario of \$1.14/sh and \$0.71/sh respectively.
- We note the revenue guidance and contracted pipeline is made up of mostly third-party Small Unmanned Aerial Systems (SUAS) to the Australian Defense Force, and does not include potential upside which may eventuate from the promising in-house product suite (ballistic plating from XTclave and real-time mapping from XTatlas).
- Thus, we believe XTE is well positioned to reach close to the top end of FY19 revenue guidance.
- XTE also stated that all outstanding options were exercised prior to 15 July 2018 by Kentgrove Capital, who has reaffirmed continuous support for the Company.
- This result should instill confidence in the market that XTE can reach its stated goals. We also believe XTE has significant upside from in-house products. Thus we maintain our **Spec Buy** rating and target price of \$1.14/sh.

Figure 2: Price History

Source: Patersons Securities Limited, IRESS

Figure 3: Recommendation and Report History

Source: Patersons Securities Limited, IRESS

Disclosure: Patersons Securities have acted for XTEK Limited (XTE) within the past year and have received fees for these services.

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