PETRA CAPITAL

INTECQ Limited

Bet on a winner

January 2016

Recommendation: BUY

- **No.1 in gaming management systems**
- **Acquisitions, new markets and organic growth to drive FY16 and beyond**
- **Best in class product suite to deliver customer upgrades and recurring revenue**

ASX: ITQ

Share Price: $3.65

Target Price: $6.00

M/Cap.: $64.3M

Valuation: $6.00/share

Valuation: $106M

Shares/options: 17.6M

Monthly T/over: $1.6M

Petra Capital Pty Ltd

Contents

INTECQ Limited (ITQ) — BUY — Share Price: A$3.65

Bet on a winner — Target Price: A$6.00

As gaming regulation becomes more cumbersome and gaming groups continue to consolidate the market, the necessity for a dedicated venue gaming management system intensifies. INTECQ Limited (formerly eBET Limited) offers clubs and pubs a unique platform technology, designed specifically for the Australian market, which has already been adopted by market leaders, propelling it to the No.1 market share position. The INTECQ system's new suite of innovative, value add yield enhancing products are prompting the customer base to adopt a fee-for-service model (traditionally outright sale). We expect that this shift to a recurring revenue model will lead to strong earnings growth (CAGR 20% FY16 – FY19) and a significant re-rating by the market. We initiate coverage with a BUY recommendation and a A$6.00 target price.

Structural drivers to system adoption

- In the last few years the focus of gaming regulators has moved towards protecting the vulnerable, while limiting the impact on responsible players (as opposed to the traditional blanket approach). In order to remain regulatory compliant, and to be prepared for future changes, venues are increasingly adopting sophisticated gaming management systems.
- In addition, as the club and hotel markets consolidate, estate scale demands and increased competition are driving adoption rates of systems, which can: manage the gaming floor, enhance player yields; and, improve the customer experience.

INTECQ's system is best in class

- The INTECQ system is the market leader in Australia by a considerable distance. It offers customers a unique system designed specifically for their needs, far superior to the inappropriate Las Vegas systems offered by its major competitors.
- INTECQ's gaming system is offering a range of performance enhancing upgrades into the management system customer base.

Recurring revenue proportion growing strongly

- INTECQ is maintaining its outright sales model while focusing on a recurring revenue model. We expect strong earnings growth over the forecast period, compounded by a re-rating due to the increased stickiness and visibility of this earnings stream.

Initiate with a BUY – 65% upside

- Given the structural market growth, leading market position, innovative product and recurring revenue, our peer group valuation methodology generates P/E multiple of 16.5x. We initiate coverage with a BUY recommendation and a A$6.00 target price.

Company Data

Shares – ordinary (M)	17.6
Dilution (M)	0
Total (fully diluted) (M)	17.6
Market capitalisation ($M)	64.3
12 month low/high ($)	3.10 / 4.10
GICS Industry	Consumer Services

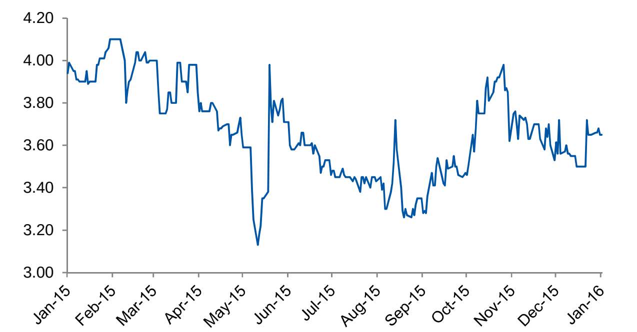
Financial Summary (fully diluted/normalised)

Year end 30 June	2014A	2015A	2016F	2017F	2018F
Revenue ($M)	40.8	51.6	54.9	59.0	62.2
Costs ($M)	-33.1	-41.1	-43.0	-46.1	-48.3
EBITDA ($M)	7.7	10.6	11.8	13.0	13.9
NPAT ($M)	2.9	4.8	6.0	6.9	7.7
EPS (¢ps)	19.0	27.7	33.9	38.9	43.4
EPS Growth (%)	-40%	46%	22%	15%	12%
PER (x)	19.2	13.2	10.8	9.4	8.4
Free Cashflow ($M)	1.0	3.2	6.5	7.1	8.2
FCFPS (¢ps)	6.29	18.33	36.89	40.35	46.42
PFCFPS (x)	58.0	19.9	9.9	9.0	7.9
Enterprise Value ($M)	64.4	64.4	64.4	64.4	64.4
EV / EBITDA (x)	8.3	6.1	5.4	5.0	4.6
Payout ratio (%)	29%	27%	30%	30%	30%
Dividends (¢ps)	5.5	14.0	10.2	11.7	13.0
Yield (%)	1.5%	3.8%	2.8%	3.2%	3.6%

Board of Directors

Director	Position	Executive	Independent
Paul Oneile	Chairman	No	Yes
Tony Toohey	Director	Yes	No
Michael Hale	Director	No	Yes
Ian James	Director	No	Yes
Allan Sullivan	Director	No	Yes

ITQ – performance over one year



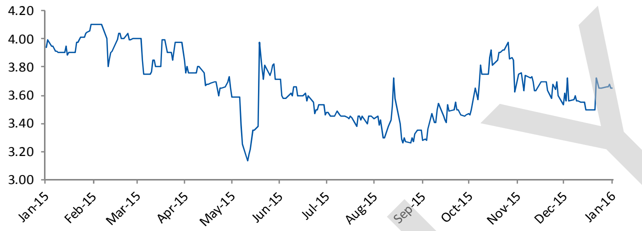
Analysis

INTECQ Limited

Year end 30 June

MARKET DATA		
Recommendation		Buy
Price	**$**	**3.65**
Price target (12-month)	**$**	**6.00**
52 week low / high	$	3.10 / 4.10
Market capitalisation	**$m**	**64.3**
Shares on issue (basic)	no.	17.6
Options / rights	no.	0.0
Other equity	no.	0.0
Shares on issue (diluted)	no.	17.6

12-MONTH RELATIVE SHARE PRICE PERFORMANCE



INVESTMENT FUNDAMENTALS		FY14A	FY15A	FY16F	FY17F	FY18F
Reported NPAT	$m	2.9	8.9	6.0	6.9	7.7
NPAT normalised	**$m**	**2.9**	**4.8**	**6.0**	**6.9**	**7.7**
Reported EPS (undiluted)	¢	19.0	51.1	33.9	38.9	43.4
EPS norm. (undiluted)	**¢**	**19.0**	**27.5**	**33.9**	**38.9**	**43.4**
....Growth	%	-40%	45%	23%	15%	12%
PER normalised	**x**	**19.2**	**13.3**	**10.8**	**9.4**	**8.4**
Operating cash flow per share	¢	23.6	30.7	53.6	57.4	63.7
Free cash flow per share	¢	6.3	18.3	36.9	40.4	46.4
Price to FCF	**x**	**66.8**	**20.1**	**9.9**	**9.0**	**7.9**
FCF yield	%	1.7	5.0	10.1	11.1	12.7
Dividend	**¢**	**5.5**	**14.0**	**10.2**	**11.7**	**13.0**
Payout	%	29.0	27.4	30.0	30.0	30.0
Yield	**%**	**1.5**	**3.8**	**2.8**	**3.2**	**3.6**
Franking	%	100.0	100.0	100.0	100.0	100.0
Enterprise value	**$m**	**64.4**	**64.4**	**64.4**	**64.4**	**64.4**
EV/EBITDA	x	8.3	6.1	5.4	5.0	4.6
EV/EBIT	x	17.1	10.5	8.7	7.7	6.9
Price to book (NAV)	x	2.4	1.6	1.5	1.3	1.2
Price to NTA	x	2.2	1.6	1.4	1.2	1.1

KEY RATIOS		FY14A	FY15A	FY16F	FY17F	FY18F
EBITDA margin	%	19.0	20.4	21.6	22.0	22.3
EBIT margin	%	9.2	11.9	13.4	14.3	15.0
NPAT margin	%	7.1	9.3	10.9	11.6	12.3
ROE	%	12.3	12.0	13.5	14.0	14.1
ROA	%	7.3	8.6	10.0	10.5	10.8
Net debt /(cash)	$m	0.0	(6.8)	(11.5)	(16.6)	(22.5)
Interest cover	x	n/a	cash	cash	cash	cash
Gearing (net debt / EBITDA)	x	n/a	cash	cash	cash	cash
Leverage	x	n/a	cash	cash	cash	cash

DUPONT ANALYSIS		FY14A	FY15A	FY16F	FY17F	FY18F
Net Profit Margin	%	7.1	9.3	10.9	11.6	12.3
Asset Turnover	x	1.0	0.9	0.9	0.9	0.9
Return on Assets	%	7.3	8.6	10.0	10.5	10.8
Financial Leverage	x	1.7	1.4	1.4	1.3	1.3
Return on Equity	**%**	**12.3**	**12.0**	**13.5**	**14.0**	**14.1**

DIVISIONAL SALES BREAKDOWN		FY14A	FY15A	FY16F	FY17F	FY18F
Gaming Systems	$m	13.8	24.3	16.5	17.5	16.8
Gaming Machines	$m	4.7	0.9	0.4	0.0	0.0
Gaming Operations	$m	22.3	26.4	38.0	41.5	45.4

DIVISIONAL EBITDA BREAKDOWN		FY14A	FY15A	FY16F	FY17F	FY18F
Gaming Systems	$m	2.8	5.4	3.3	3.5	3.4
Gaming Machines	$m	0.5	0.2	0.1	0.0	0.0
Gaming Operations	$m	4.5	4.9	8.4	9.5	10.5

PROFIT AND LOSS (PRO FORMA)		FY14A	FY15A	FY16F	FY17F	FY18F
Total revenue	$m	40.8	51.6	54.9	59.0	62.2
EBITDA	**$m**	**7.7**	**10.6**	**11.8**	**13.0**	**13.9**
Depreciation & amortisation	$m	(4.0)	(4.4)	(4.5)	(4.5)	(4.6)
EBIT	$m	3.8	6.2	7.4	8.4	9.3
Net interest	$m	(0.1)	(0.1)	0.1	0.2	0.2
Non-operating income	$m	0.0	0.0	0.0	0.0	0.0
Pretax Profit	$m	3.6	6.1	7.5	8.6	9.6
Tax expense	$m	(0.7)	(1.2)	(1.5)	(1.7)	(1.9)
Minorities	$m	0.0	0.0	0.0	0.0	0.0
Operating NPAT	**$m**	**2.9**	**4.8**	**6.0**	**6.9**	**7.7**
Significant items	$m	0.0	4.1	0.0	0.0	0.0
Reported NPAT	$m	2.9	8.9	6.0	6.9	7.7

GROWTH PROFILE		FY14A	FY15A	FY16F	FY17F	FY18F
Operating revenue	%	(10)	26	6	8	5
EBITDA	%	(15)	36	12	10	7
EBIT	%	(32)	64	20	14	11
Operating NPAT	%	(40)	65	24	15	12
Normalised EPS	%	(40)	45	23	15	12
DPS	%	157	155	(27)	15	12

BALANCE SHEET		FY14A	FY15A	FY16F	FY17F	FY18F
Cash	$m	2.5	7.7	11.5	16.6	22.5
Receivables	$m	13.4	15.4	16.5	17.7	18.7
Inventory	$m	5.4	8.9	9.5	10.1	10.6
Other	$m	0.5	0.5	0.5	0.6	0.6
Current	**$m**	**21.7**	**32.5**	**38.0**	**45.0**	**52.4**
Prop, plant & equip	$m	3.6	2.9	3.6	4.3	5.1
Intangibles	$m	14.2	17.1	14.8	12.6	10.3
Other	$m	0.3	3.3	3.3	3.3	3.3
Non current	**$m**	**18.1**	**23.3**	**21.8**	**20.3**	**18.8**
Total assets	**$m**	**39.8**	**55.8**	**59.8**	**65.3**	**71.1**
Accounts Payable	$m	7.4	7.5	8.2	8.9	9.3
Borrowings	$m	2.5	0.9	0.0	0.0	0.0
Other	$m	6.2	7.0	7.4	7.5	7.5
Total liabilities	**$m**	**16.1**	**15.4**	**15.7**	**16.3**	**16.8**
Shareholder's equity	**$m**	**23.7**	**40.0**	**44.1**	**48.9**	**54.3**

CASH FLOW		FY14A	FY15A	FY16F	FY17F	FY18F
EBITDA	$m	7.7	10.6	11.8	13.0	13.9
Change in provisions	$m	0.0	0.0	0.0	0.0	0.0
Change in working capital	$m	(3.7)	(5.3)	(1.0)	(1.3)	(1.0)
Net interest	$m	0.4	(0.1)	0.1	0.2	0.2
Tax paid	$m	0.0	0.0	(1.5)	(1.7)	(1.9)
Other	$m	(0.8)	0.2	0.0	0.0	0.0
Operating cash flow	**$m**	**3.6**	**5.4**	**9.5**	**10.1**	**11.2**
Capex	$m	(2.7)	(2.2)	(3.0)	(3.0)	(3.1)
Acquisitions	$m	(0.4)	(5.2)	0.0	0.0	0.0
Disposals	$m	0.0	0.0	0.0	0.0	0.0
Investing cash flow	**$m**	**(3.0)**	**(7.3)**	**(3.0)**	**(3.0)**	**(3.1)**
Equity	$m	0.0	8.0	0.0	0.0	0.0
Change in borrowings	$m	(1.3)	(1.6)	0.0	0.0	0.0
Dividend/other	$m	(0.5)	(1.9)	(1.8)	(2.1)	(2.3)
Financing cash flow	**$m**	**(1.8)**	**4.5**	**(1.8)**	**(2.1)**	**(2.3)**
Free cash flow	**$m**	**1.0**	**3.2**	**6.5**	**7.1**	**8.2**

Source: Petra Capital

Executive Summary

The INTECQ systems are best in class within a structurally growing sector

INTECQ's system is the market leader within the growing gaming systems market in Australia. It offers hotel, clubs and casino customers a system that is unique, having been designed specifically for the Australian market. As regulatory requirements intensify and the industry consolidates, INTECQ's operating system, Metropolis, allows venues to adhere to the regulatory framework and incorporate changes. Moreover, additional complementary products such as CardIT, Engage and Trace allow them to retain customers as the competitive landscape intensifies, while improving the customer experience and increasing player yield.

Shift from outrights sales to recurring revenue to drive future earnings

INTECQ's gaming management system covers a significant Electronic Gaming Machine (EGM) footprint in Australia from which it can grow revenue substantially as it transitions the customer base from an outright sales model, to a sales and service model, for which it generates recurring revenue. This transition has been in train for a few years, however, since the launch of Metropolis and CardIT the offering has become more attractive to venues. This is particularly true for larger scale venues, where regulatory compliance has become more onerous and competition for players is intensifying, prompting them to invest in their offering to increase activity.

INTECQ currently has four different management systems with a collective footprint of ~70k EGMs (40% market share nationally) in Australia, which we expect to reach ~87k by FY18.

- **Metropolis –** INTECQ's flagship management system for which customers are charged on a monthly basis, generating a recurring revenue stream. Metropolis is the only system compatible with CardIT, Engage and Trace. INTECQ's objective is to convert all of its EGMs to Metropolis from ~34k today.
- **Legacy Systems –** INTECQ has a number of legacy systems which are not compatible with CardIT, Engage and Trace – we expect the attractiveness of these products to encourage these customers to upgrade to Metropolis.
- **Flexinet –** INTECQ acquired Flexinet in late 2014. We expect these EGMs will upgrade to Metropolis overtime (30% by FY18).
- **Odyssey** – Odyssey is INTECQ's monitoring business in Queensland, in addition to providing a recurring revenue steam, Odyssey facilitates a sales opportunity for Metropolis.

INTECQ has been extremely successful at upselling CardIT and Engage to customers once they convert to the Metropolis System. CardIT was the first additional product for the Metropolis System, which achieved a 66% penetration rate in FY15 (60% in FY14), and we expect to increase to 78% by FY18. Engage is a more recent product and achieved ~9% penetration rate in FY15, which we expect to increase substantially to ~20% by FY18. The combination of legacy systems moving to Metropolis, with consequent follow on sales of ancillary products will entrench INTECQ's leading position and drive growth over the forecast period.

Substantial re-rating likely, initiate with BUY and A$6.00 TP

This growth/upgrade/cross sell strategy should support a significant re-rating as the market attaches a higher value to the recurring revenue stream (increasing from 49% in FY15 to ~70% in FY18).

INTECQ trades on at a ~50% discount to the wider gaming sector yet when we compare the business to the wider sector it is evident that it has a (1) stronger relative competitive advantage; (2) more stable regulatory environment; and (3) more reliable earnings.

Given these superior attributes offset by lower liquidity, we expect a significant re-rating of the stock. Our peer comparative analysis suggests that a multiple of 16.5x (FY16 and FY17 blended average) is more appropriate (which includes a 20% liquidity discount to larger peers). We initiate coverage with a A$6.00 target price and a Buy recommendation.

Overview of INTECQ

INTECQ's system is an IT service provider to clubs and pubs/hotels throughout Australia. Its propriety technology allows clubs to:

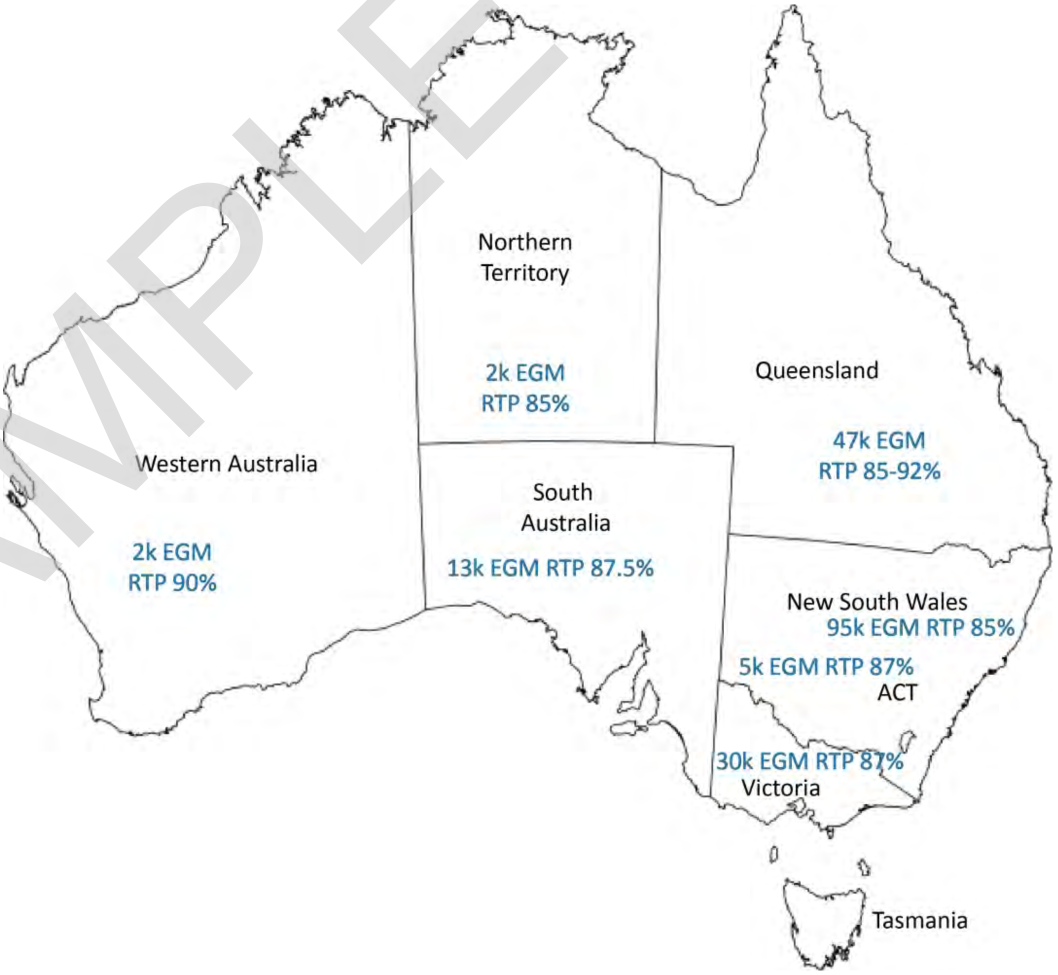
- manage its member database;
- monitor customer activity in all areas of the venue (gaming, food and beverage parking etc.);
- segment customers according to spend; and,
- manage cash and promotional activity.

These tools equip venues with vital information to improve customer experience and ultimately the venues player revenues.

Customers are Australian clubs and pubs

There are ~195k slot machines in Australia, generating approximately A$11bn in annual turnover. Most of which are concentrated in NSW (~95k), Queensland (~42k) and Victoria (~26k), as outlined in Figure 1. The overwhelming majority of Australia's EGMs market is with the not-for profit club sector (~70%), with the balance within the hotel market and the casinos. Clubs generate a significant amount of revenue (80-85%) from their fleet of gaming machines. Given their not-for-profit charter and that they are often unable to expand due to the lack of available land and the proximity of competing clubs, they are continually investing and upgrading their facilities, including the gaming facilities. The average gaming floor in the major clubs would have 400+ EGMs, however, there are a number of clubs with 800-1,000+ EGMs.

Figure 1: Australian EGM market and minimum return to player (RTP) by state



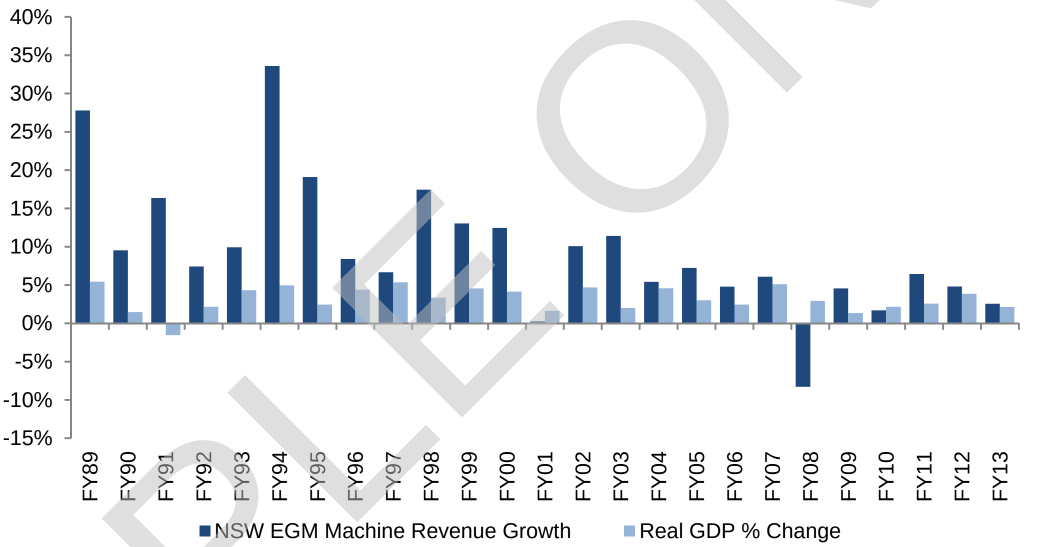
Source: State Governments

The hotel market is different to clubs in that the gaming rooms are considerably smaller with caps on the numbers of EGMs applied on a Local Government Authority (LGA) basis, to a maximum of 30. These venues are run for profit and attract much higher spend players (as hotels tend to attract a younger player base). Traditionally INTECQ has focused its attention on the club market, which are much more likely to benefit from the INTECQ systems given their scale. However, the group has started to target the larger hotel groups, which across their portfolios may have a few hundred EGMs (eg in 1H15 the group signed up Redcape and its 610 EGMS).

EGM market is resilient in times of economic weakness

The EGM market like most gambling markets is resilient in time of economic weakness and the Australian market is no different. To test this hypothesis we have looked at EGM revenue growth since 1989 in NSW and compared it to Australian GDP (Note: we have only used NSW, as machines were not available in other states during the last economic downturn in the early 90's). As Figure 2 illustrates during the economic weakens of 1991 EGM revenue growth remained strong.

Figure 2: EGMs are resilient in times of economic weakness

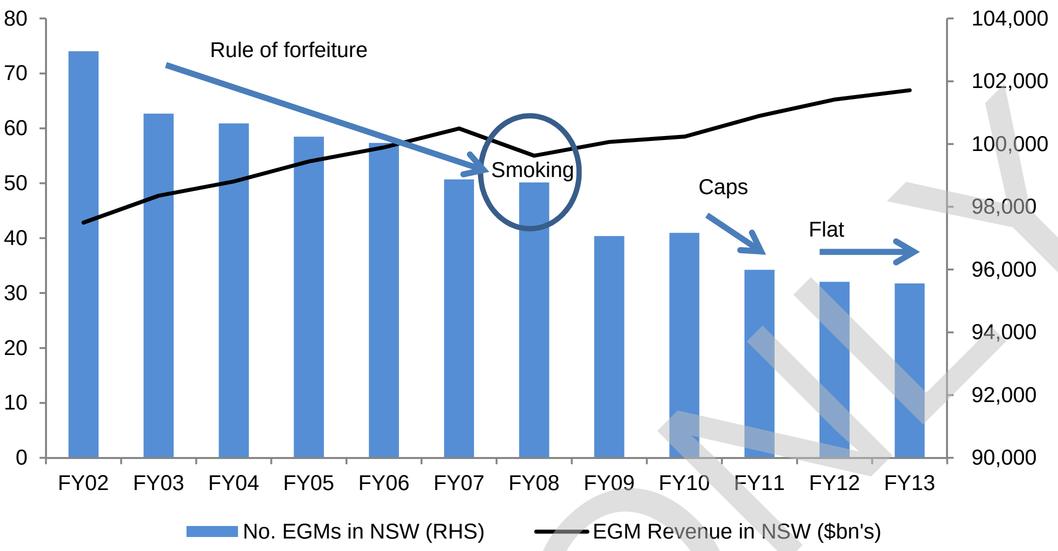


Source: NSW Government

The downturn in EGM revenue growth in FY08 was driven by venues having to disrupt the gaming floor to develop smoking solutions in order to be compliant with the new smoke free gaming regulations introduced that year in NSW.

In FY10 the last major change in regulation was introduced leading to gaming growth below GDP, this was the imposition of the caps system which reduced the number of EGMs in NSW and prevented any further from been introduced. EGM figures in NSW were in decline since the start of the decade since the introduction of the Rule of Forfeiture, which stated that EGMs licences must be sold in blocks of three between venues, but the purchaser was only allowed to receive two licences with one being retired. This was the State Government's approach to problem gambling, however it had limited impact on slowing EGM expenditure growth (Figure 3).

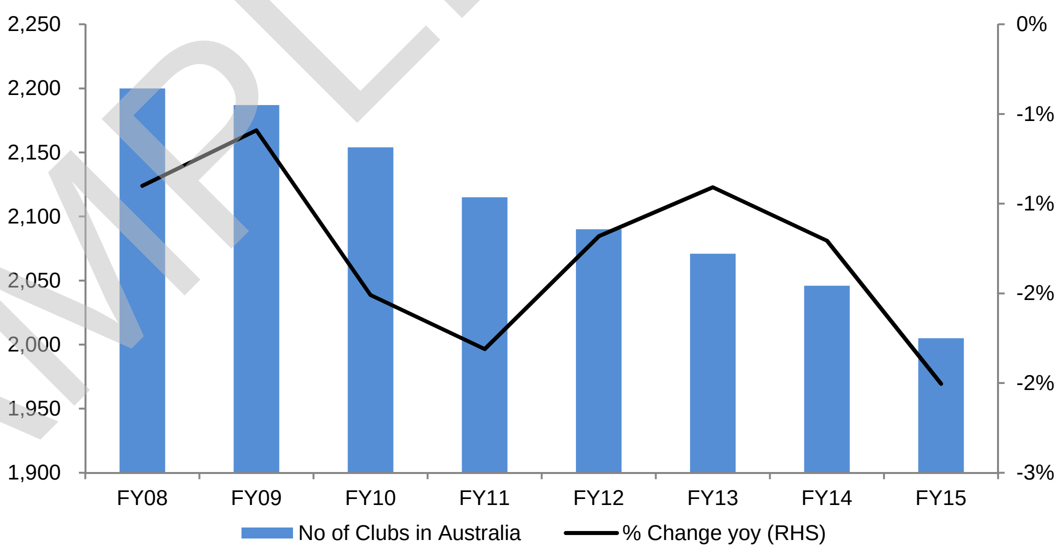
Figure 3: No. of EGMs in NSW



Source: NSW Government

The introduction of the cap on EGM has provided the unexpected and unintended consolidation of this highly fragmented industry (Figure 4). The industry has traditionally consisted of small clubs focused on drawing its membership from within the local community. However, since the largest venues generate substantial free cash flow and now can no longer expand their gaming floor they have been acquiring other smaller clubs and upgrading their gaming offering.

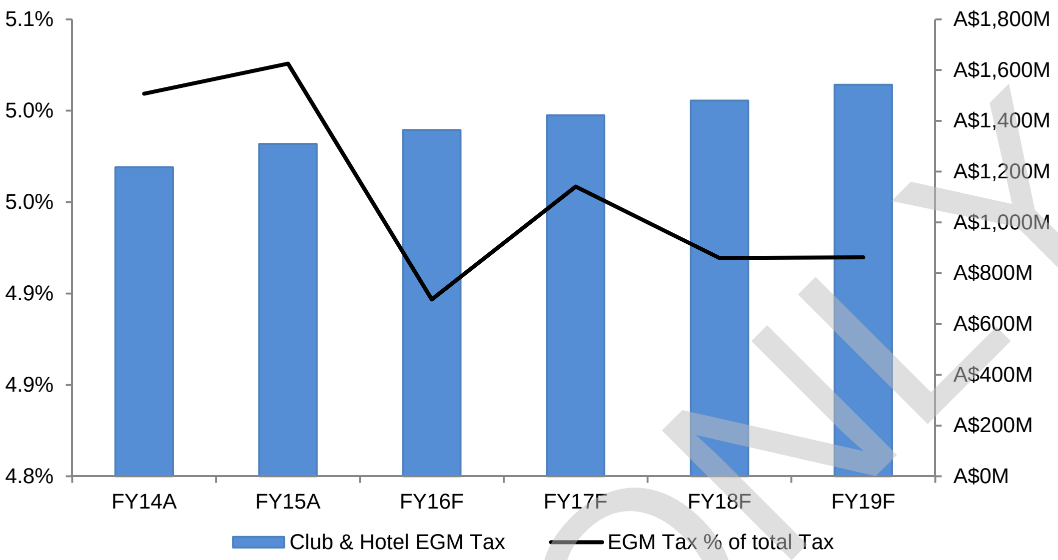
Figure 4: Consolidation in NSW club market



Source: NSW Government

We expect little change in the number of EGMs both nationally and within the key market of NSW. Measures to address problem gambling with a blanket approach have proved to be ineffective and more recent initiatives from the regulatory bodies nationally in this area have, as discussed above, centred on enhanced monitoring of player activity. An examination of the recent NSW state budget shows that the state is anticipating a consistent 5% increase in tax revenue over the next number of years, which supports our view (Figure 5).

Figure 5: NSW state budget contribution from hotels and clubs EGMs

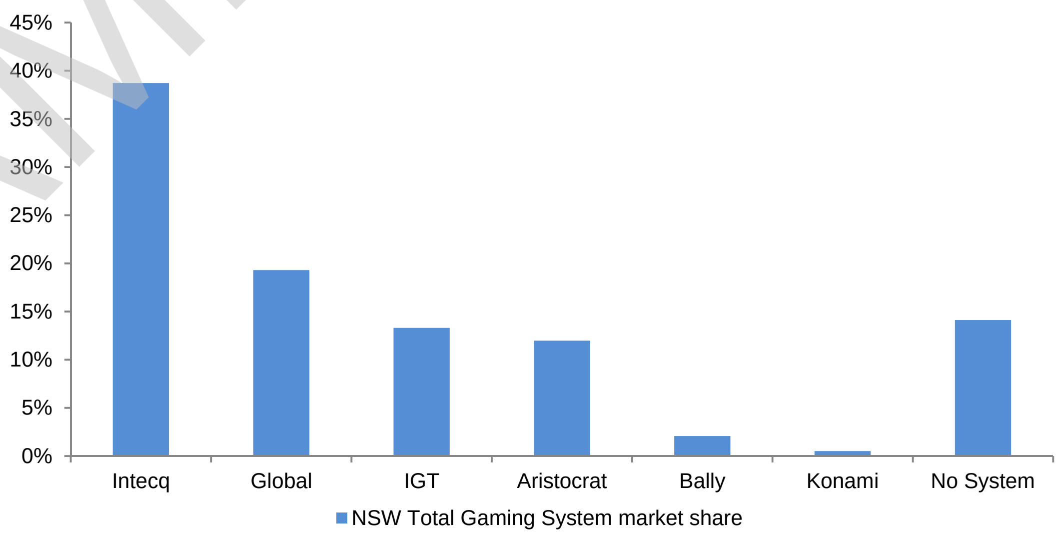


Source: NSW Government

Competitors are gaming giants but their product is all wrong for the Australian market

In the Australian gaming systems provider market, the INTECQ system competes with some of the largest and best known names in the gaming world. Despite its relative size, the group has achieved a ~40% market share position in NSW, the largest and most competitive of the gaming states in Australia (Figure 6). This has been achieved as all of INTECQ's larger international competitors are primarily EGM developers and manufactures, with small systems businesses. In addition, the operating systems offered by the larger operators are all developed for the Las Vegas market, a destination gaming market where the emphasis is on maximising player spend on each visit. In this regard, INTECQ's offering is unique as within the club and hotel market in Australia, primarily a locals market, the emphasis is on repeat customer play.

Figure 6: INTECQ is the dominant player in its traditional market of NSW



Source: INTECQ and Petra Capital estimates

Thematics driving adoption of systems by venues

Regulation changes are driving adoption

Slot machines are regulated on a state level and the legislature has to walk a fine line between focusing on harm minimisation, while being careful to ensure that the significant tax revenue generated by gaming remains resilient. Regulators are increasingly mandating clubs and hotels, which on average generate 80-85% of their revenue from gaming, to invest in technology and systems which protect the small percentage of players for whom gambling is a problem, while allowing the overwhelming majority of players to enjoy this leisure pursuit.

Traditionally, states have only mandated that EGMs have a basic monitoring system in place, which streamlined tax revenue collection and ensured game integrity. However, in recent years the introduction of mandatory money laundering prevention protocols, banning of gaming room ATMs, pre-commitment systems and player session length monitoring have made it extremely difficult, if not impossible, for venues (particularly those of scale) to operate without a system, while remaining compliant.

This new approach to regulations of EGMs ensures that sufficient safe guards are in place to protect the vulnerable with minimum impact for the responsible player, ensuring that states deliver on their duty of care, while maintaining a lucrative source of tax revenue.

Recent positive regulatory changes from a systems providers' point of view:

In July 2015 two regulation changes relative to INTECQ came into effect in the NSW:

- The threshold below which poker machine winnings can be paid in cash instead of by cheque or electronic funds transfer increased from $2,000 to $5,000.
- The maximum a player can hold in an account or smartcard increased from $200 to $1,000.

We understand that only local operators (INTECQ & Global) were fully prepared to take advantage of this regulation change, highlighting the advantage that venues receive from choosing a local focused supplier. These changes will:

- Place the 15% of the market without a system at a competitive disadvantage, driving new customers into the segment.
- Further increase demand for slot machine smartcards and hence encourage the ~65% of INTECQ's footprint not using its flagship system to migrate over in order to access its market leading CardIT product.

Both are likely to drive revenue improvements for INTECQ.

In October 2013 the Victorian Government introduced legislation requiring pre-commitment technology on every EGM in the state by 1 December 2015. The pre-commitment scheme allows players to set limits on the amount of time and money they spend and track their gaming machine activity across the state. This change in legislation has been prompting venues to have systems in place by December 2014 ahead of implementation on 1 December 2015. This change was a key driver of INTECQ's FY15 performance as it has captured ~70% of its defined market share of the addressable market (5,353 EGMs).

Increasing competition between venues for gaming wallet

The gaming venues market in Australia, particularly in NSW, is becoming less fragmented as venues consolidate, albeit this process is still in its infancy. This process was kick started by the introduction of the NSW cap system in 2010 which capped the number of EGMs in a particular venue. The cap system means that venues cannot deploy additional capital to expand their existing gaming floor (once they have reached their limit, as is the case for the best performing clubs), which traditionally has been the highest return generating segment of their business.

To counteract this, the larger clubs have been acquiring smaller clubs and upgrading their facilities and gaming offering. This has led to a general improvement in the gaming offering by venues and increased the number of quality venues available to customers, which in turn has driven demand for gaming systems and additional product, due to:

- **Scale Demands –** Gaming managers now not only have more EGMs to manage but over a number of different sites with different customer profiles.
- **Customer retention –** Customers are finding they have a number of quality gaming options available to them, in order for venues to maintain/increase their share of wallet they need to keep the customer in their ecosystem through customer engagement products such as: targeted marketing, cashless gaming, loyalty programmes, and improved service offering.

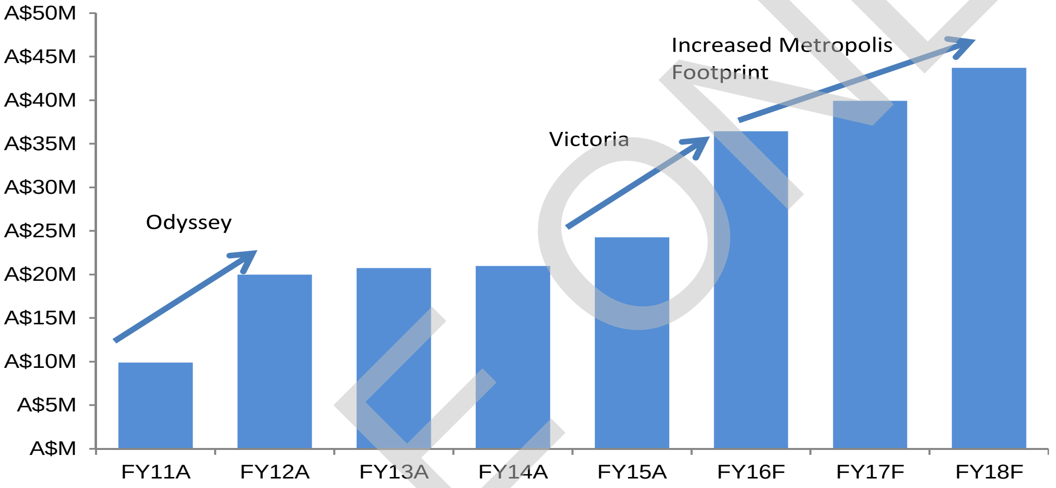
We believe we are in the early stages of consolidation and expect this to grow significantly over the medium term. As larger club/hotel groups emerge (such as Redcape, an INTECQ Metropolis customer) the necessity for gaming systems will continue to increase.

INTECQ's focus is on recurring revenue

Management has been increasing proportion of recurring revenue

Traditionally INTECQ's system has been focused on an outright sales model. However, in recent years it has been successful in securing recurring revenue streams. This has been achieved by entering the state monitoring segment through the acquisition of Odyssey and by migrating its existing systems customer base from an outright sales model to a combination of outright sales and a recurring revenue license fee model. This process really started to gain momentum in FY12 and we expect that the recurring revenue base will be the driver of the business over the short to medium term (Figure 7).

Figure 7: Recurring revenue has been increasing since FY11

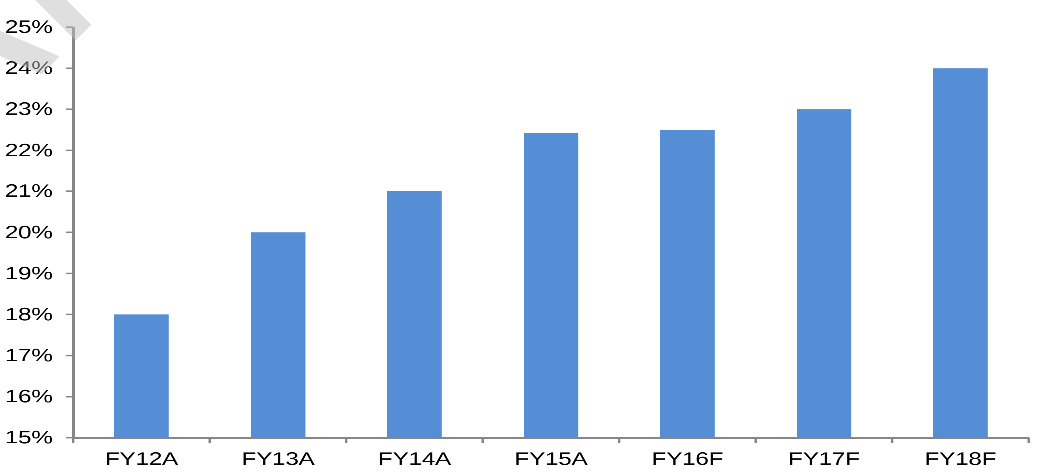


Source: INTECQ and Petra Capital estimates

Significant opportunity to increase exposure to monitoring market

Every state in Australia operates a centralised monitoring system which all the EGMs in the state must be connected to for taxation and integrity purposes. In all states this is outsourced to a third party on an exclusive basis, with the exception on Queensland which allows for two licenced operators, Maxgaming (owned by Tatts) and Odyssey (acquired by INTECQ in late 2011 for A$2.3m). Odyssey currently has ~22% market share in Queensland which has increased from 18% at the time of acquisition (Figure 8).

Figure 8: Odyssey market share



Source: INTECQ and Petra Capital estimates

Odyssey has been a fantastic acquisition for INTECQ, the business was rapidly transitioned from loss making to EBITDA of ~A$1m pa. In addition, it places INTECQ in contention to win further monitoring licences across Australia as the licences for NT, NSW and QLD all expire over the next two years (see Figure 9). Maxgaming, as the incumbent operator, is largely considered to be the favourite to win these contracts, however, we note that in 2012 it lost out to Intralot for the Victoria licence.

Figure 9: Monitoring licences representing 70%+ of market expiring in next 3 years

	LMO	Expiration	No. EGMs	Mkt Share	Cumulative mkt share
NT	Maxgaming	2016	2k	1%	1%
NSW	Maxgaming	2016	95k	49%	50%
QLD	Maxgaming (80%) / ITQ (20%)	2017	42k	22%	71%
VIC	Intralot	2027	26k	13%	85%

Source: Tatts Group

Layers of growth potential within system offering

Unlike many of its peers, INTECQ's R&D team is almost exclusively focused on improving player yields for its club and pub customer network. This focused approach has led it to produce industry leading product, starting with its new flagship system, Metropolis and payment system, CardIT. However, of the ~70k EGMs within INTECQ's network only 34k (~50%) of them have the Metropolis products. This presents a significant growth opportunity as venues upgrade to Metropolis and subsequently CardIT and other value add products. In addition, we expect this product suite to attract customers to INTECQ.

Metropolis is INTECQ's newest operating system (launched in 2012), it allows the club/pub gaming manager to adhere to all regulatory criteria associated with gaming as well as providing operational functionality such as:

- monitoring floor activity;
- producing performance reports;
- managing membership database;
- managing cash on premises; and,
- managing promotional activity.

The user interface, refresh rate and functionality for Metropolis compared to competing and legacy products are a significant step forward. However, while these are important they are not the main drivers of demand from clubs and pubs. Instead it is INTECQ's card based, CardIT, which is the key driver of demand. CardIT and other value add INTECQ products are only compatible with Metropolis, which is prompting clubs and pubs to upgrade their legacy, or competitor systems, to access this suite of products.

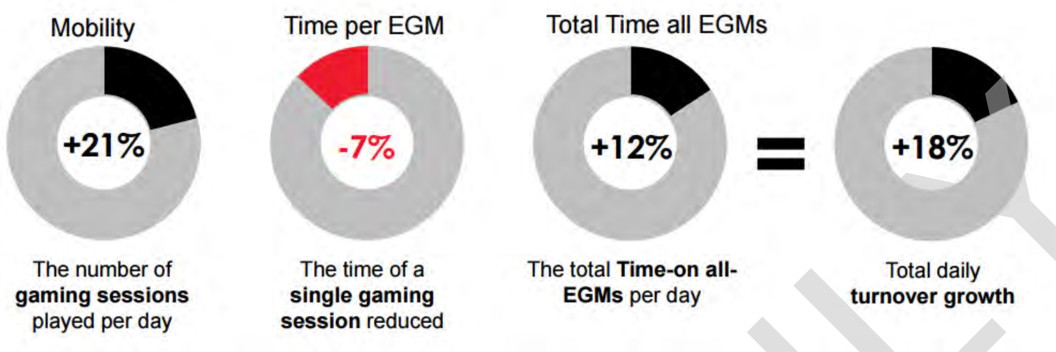
CardIT – increases gaming revenue and lowers costs

CardIT is INTECQ's leading value-add product despite only being launched in November 2013. CardIT has been a significant success achieving a 68% penetration rate of Metropolis systems within 12 months of launch.

CardIT is a dedicated cash card for venues' gaming machines, which allows players the flexibility to transfer credits between EGMs and cash out without waiting for an attendant. CardIT is a next generation product which replaces the old ticket system (TITO), allowing players to increase the length and number of gaming sessions per visit to the venue.

As shown in Figure 10, CardIT increases on average the number of gaming sessions by 21%, albeit shorter sessions (-7%) and the total gaming time for clubs by 12%, resulting in an 18% increase in daily turnover growth.

Figure 10: CardIT increased revenue by 18% on average



Source: INTECQ

CardIT also has a much higher reinvestment rate (gambling winnings) than a TITO venue with an average value reinvestment of 54% compared to TITO's 17%, as outlined in (Figure 11). In addition CardIT does not have the installation and on-going maintenance costs associated with the ticket printers of a TITO system.

Figure 11: CardIT has a considerably higher reinvestment rate

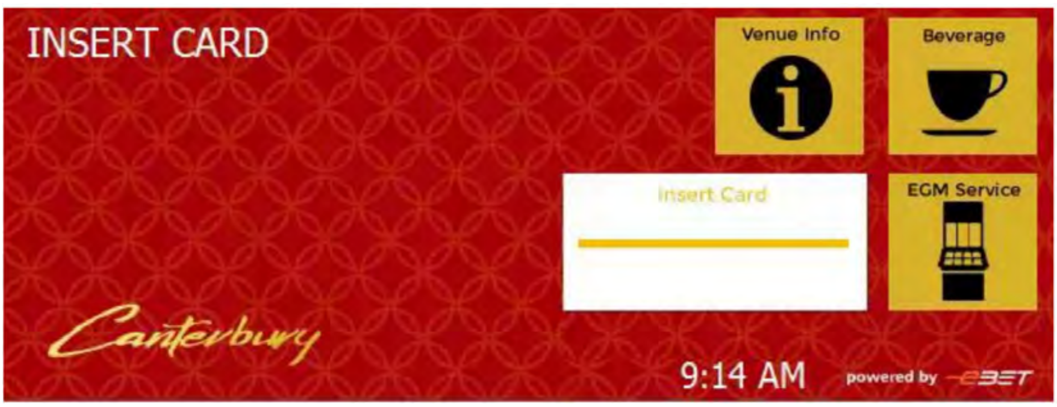
		Installation Size			
Installation type	Re investment %	<100	100-200	>200	Total
CARD IT	Transactions	58%	70%	82%	74%
	Dollars	45%	52%	60%	54%
TITO	Transactions	44%	37%	36%	37%
	Dollars	20%	16%	17%	17%

Source: INTECQ

Engage – more early stage than CardIT

Engage is an interactive loyalty programme, allowing venues to communicate with its customers while they are playing the EGMs. Through a dashboard on the EGM (which can be minimised by the player) the club can communicate various in-venue promotions, which can be customised for different times and events (Figure 12). The adoption rates (~10%) on Engage thus far have been modest compared to CardIT, however, as venues experience the significant benefits of CardIT and Metropolis we expect adoption rates of Engage to improve.

Figure 12: Engage Dashboard



Source: INTECQ

Trace – New product, just launched

With its unique understanding of, and focus on, the Australian clubs market, INTECQ has recently launched its new Trace product. Trace is a customer service enhancement app for service staff in venue. It identifies customers through their membership cards communicating to staff how frequently that customer visits the venue and which machines and restaurants they favour, so that the service can be customised to promote venue loyalty.

Astute – Big data made digestible

Following its acquisition of CDOL last year, INTECQ has launched Astute, which is a statistical data application that generates reports for gaming managers allowing them to have all relevant data on one screen, allowing for a greater understanding of what is driving gaming revenue over a particular time period. In addition, it also suggests actions to improve floor performance.

As clubs increase in size and become ever more competitive, we feel this sort of big data product will grow in adoption and popularity. The product is also geared towards slot machine manufactures for ad hoc reports on the performance of certain brands or titles, which can be used in both R&D decisions as well as marketing material.

Reporting Divisions

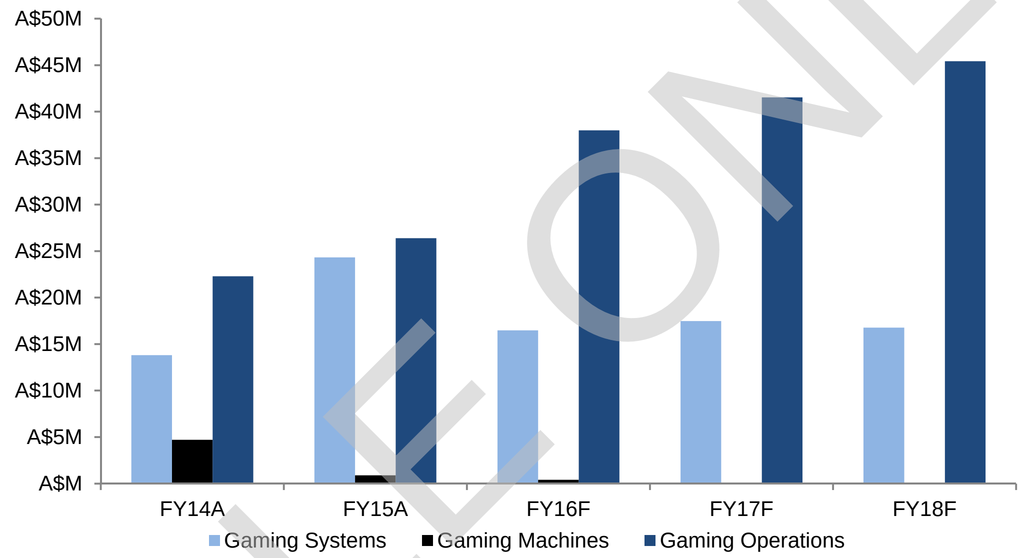
INTECQ consists of two main reporting divisions,

- Gaming Systems
- Gaming Operations

Traditionally INTECQ has had a Gaming Machines Division, but this has been discontinued in order to focus on the substantial opportunity within the other divisions.

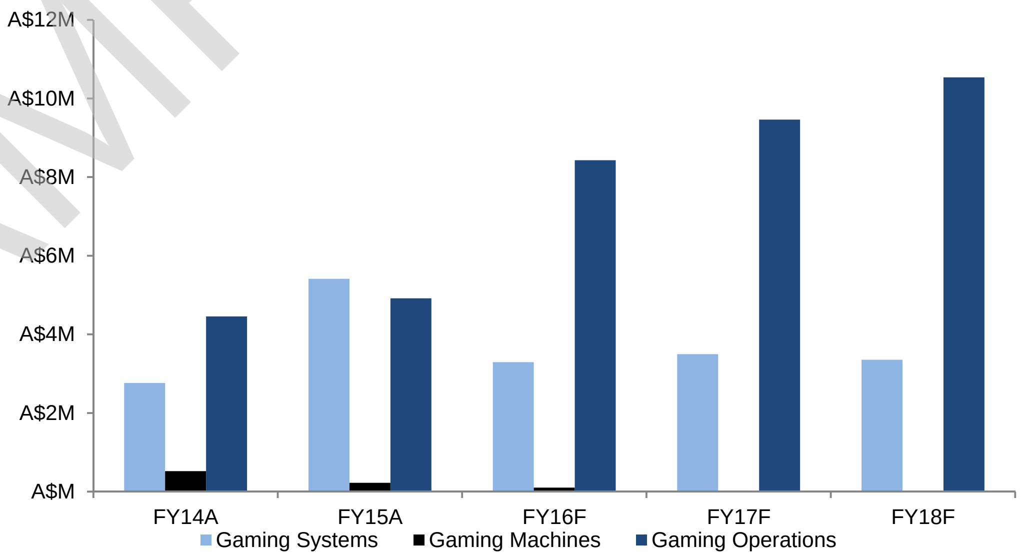
As shown in Figure 13 and Figure 14 the Gaming Operations division has been the driver of growth and we anticipate this to continue over the forecast period.

Figure 13: INTECQ Revenue per Division



Source: INTECQ and Petra Capital estimates

Figure 14: INTECQ EBITDA per Division



Source: INTECQ and Petra Capital estimates

Gaming Operations

Gaming Operations encompasses the revenue associated with ongoing service contracts arising from system sales recorded in Gaming Systems. The business is a mixture of:

- Software support and licencing – This business segment is driven by Metropolis and CARDIT sales.
- Gaming machine maintenance and replacement.
- Odyssey – Every state in Australia has a LMO (Licenced Monitoring Operator), which is responsible for reporting game activity to the state government for tax purposes. INTECQ is an LMO in Queensland with 20% market share (in terms of number of EGMs serviced). This is a low-margin business relative to that of Metropolis and CARDIT servicing, which we see as the major driver of revenue and margins.
- The Business Intelligence division was established in March 2014 when INTECQ acquired CDOL (which has been rebranded as Astute). Astute provides business intelligence tools to clubs and hotels assisting them to optimise operations through the storing, analysing and reporting of internal financial, gaming, membership and marketing data. It also provides venues the ability to benchmark their performance against current industry data from over 45,000 gaming machines in over 680 venues. This business is focused on clubs and pubs, as well as the major gaming machine manufacturers to whom the company has indicated it will market bespoke reports that can be used in marketing materials to venues.

Gaming Systems

Gaming Systems is the entry point for most of INTECQ's customers. It is the division in which INTECQ records all revenue associated with outright sales. Essentially revenue is derived in three ways:

- system sales to new venues;
- system upgrades to existing venues; and
- the introduction of new functionality into venues.

As with any outright sales revenue line, there is the potential for significant volatility within INTECQ's Gaming Systems division.

Gaming Machines (Discontinued)

In previous years INTECQ had a gaming machine business that consisted of an exclusivity agreement with WMS to market, distribute and promote its games in Australia. However in early 2014 the agreement was scaled back to logistics and distribution only, as WMS failed to gain traction in the Australian market. With WMS/Scientific Games acquiring Bally in August 2014 the decision was made to exit this low revenue, low margin business as it was no longer material.

Key Assumptions

Gaming Systems

In Figure 15 we outline our key assumptions for Gaming Systems on a state basis over the forecast period (FY16-FY18). In all states we expect INTECQ to continue to add venues to its footprint and increase market share. Conversion of Legacy portfolio is in-line with historical trends and conservative in our view given the improvement in Metropolis associated product.

In NSW we expect the Flexinet conversion to be relatively seamless with most venues having migrated to Metropolis by the end of the forecast period, this will be the key driver of the increase in Metropolis EGM to 64% by FY17.

We expect CardIT penetration rate to improve slightly to 85% from 81% currently although highlight that this may prove to be too conservative. Similarly we expect strong penetration for other products such as Engage and Trace.

As the Victorian market has just opened up (December 2014) we assume that all of INTECQ's EGMs are operating on Metropolis. We do not expect CardIT penetration rate to be as impressive as in NSW in year one, but expect them to increase substantially from here to match NSW. Much like in NSW we are only allowing for a minor penetration for other products.

In Queensland INTECQ is in a unique position relative to other states as it is also a Government licenced monitor of EGMs. We expect the legacy platforms Odyssey conversion rate to Metropolis to continue to increase strongly driving conversion rates for both CardIT and Other Products.

Figure 15: Key Assumption Gaming Systems

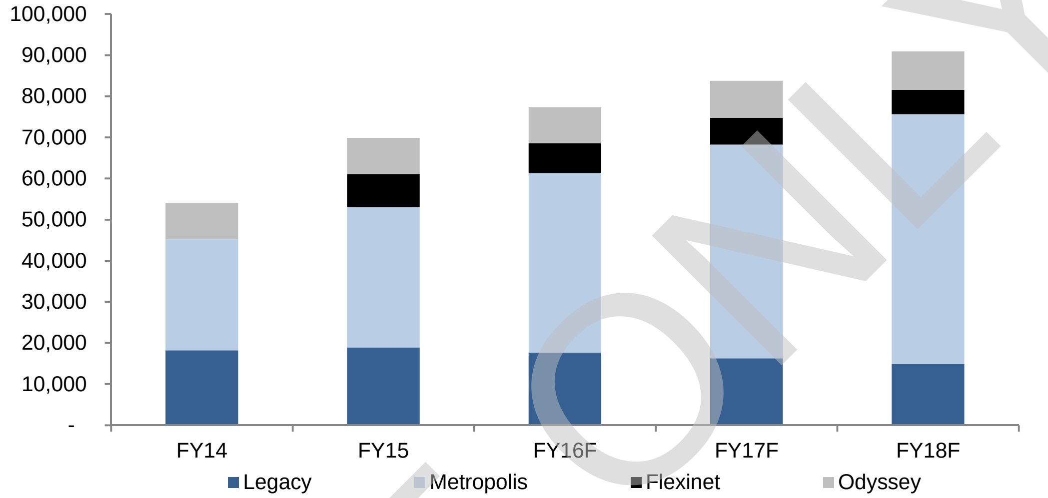
	FY15A	FY16F	FY17F	FY18F
New South Wales				
INTECQ Market Share	35%	36%	38%	40%
Metropolis Assumptions				
Legacy Conversion Rate	6%	7%	8%	9%
Flexinet Conversion Rate	10%	10%	10%	10%
Metropolis as % of EGMs	50%	57%	64%	70%
CardIT Conversion Rate	81%	83%	84%	85%
Other Products Conversion Rate	15%	20%	25%	28%
Victoria				
INTECQ Market Share	21%	22%	23%	24%
Metropolis Assumptions				
Metropolis as % of EGMs	100%	100%	100%	100%
CardIT Conversion Rate	50%	60%	70%	80%
Other Products Conversion Rate	50%	50%	50%	50%
Queensland				
INTECQ Market Share (excl Odyssey)	11%	12%	13%	15%
Metropolis Assumptions				
Legacy Conversion Rate	6%	7%	8%	9%
Odyssey Conversion Rate	53%	55%	60%	65%
Metropolis as % of EGMs	55%	57%	64%	72%
CardIT Conversion Rate	81%	83%	84%	85%
Other Products Conversion Rate	40%	50%	50%	50%

Source: INTECQ and Petra Capital estimates

Gaming Operations

The Gaming Operations division is directly influenced by the Gaming Systems division. As more venues are upgraded to Metropolis it will drive growth in Gaming Operations due to service revenue. As shown in Figure 16 the product mix is shifting from towards the majority of EGMs on the Metropolis.

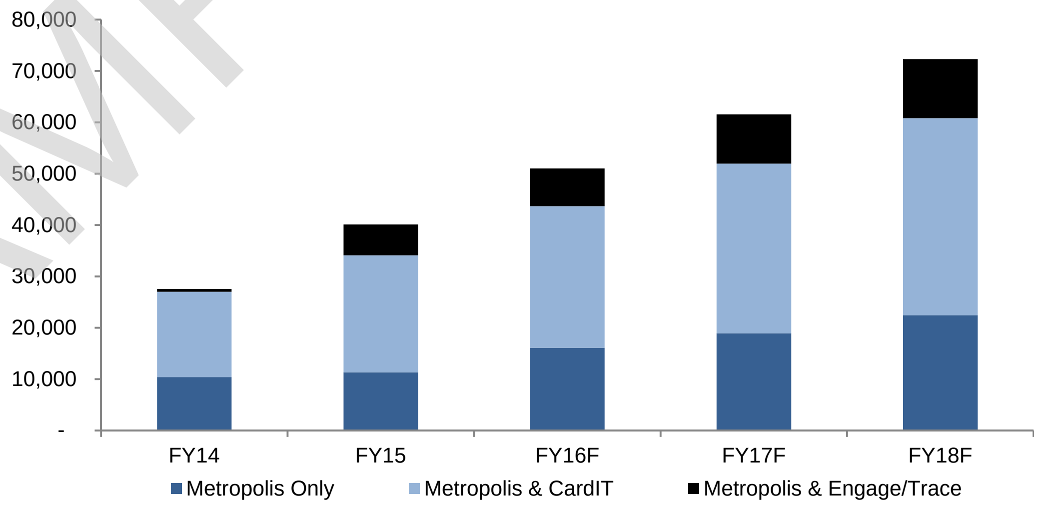
Figure 16: INTECQ EGM portfolio mix



Source: INTECQ and Petra Capital estimates

As shown in Figure 17 INTECQ has been extremely successful at upselling CardIT, Engage and Trace to customers once they convert to the Metropolis System. CardIT was the first additional product for the Metropolis System, which achieved a 66% penetration rate in FY15 (60% in FY14), and we expect this to increase to 80% by FY18. Engage is a more recent product and achieved ~9% penetration rate in FY15 (up from 2% in FY14), and we expect this to increase substantially to ~20% by FY18.

Figure 17: CardIT, Engage, Trace penetration rates of Metropolis customers (EGM's)



Source: INTECQ and Petra Capital estimates

Financial Forecasts

Gaming Operations to drive profitability

We see strong growth from FY16-FY18 as the group continues to execute on its strategy of converting legacy systems to Metropolis, upselling CardIT and other value add products to Metropolis customers, and integrating acquisitions.

Gaming sales in FY16 will be rebased as the company cycles the strong FY15 performance following the opening up of the Victorian market. However, this surge in the Metropolis install base will drive CardIT sales in future years, this along with additional sales of other value add products such as Engage leads to a strong performance over the forecast period (see Figure 18).

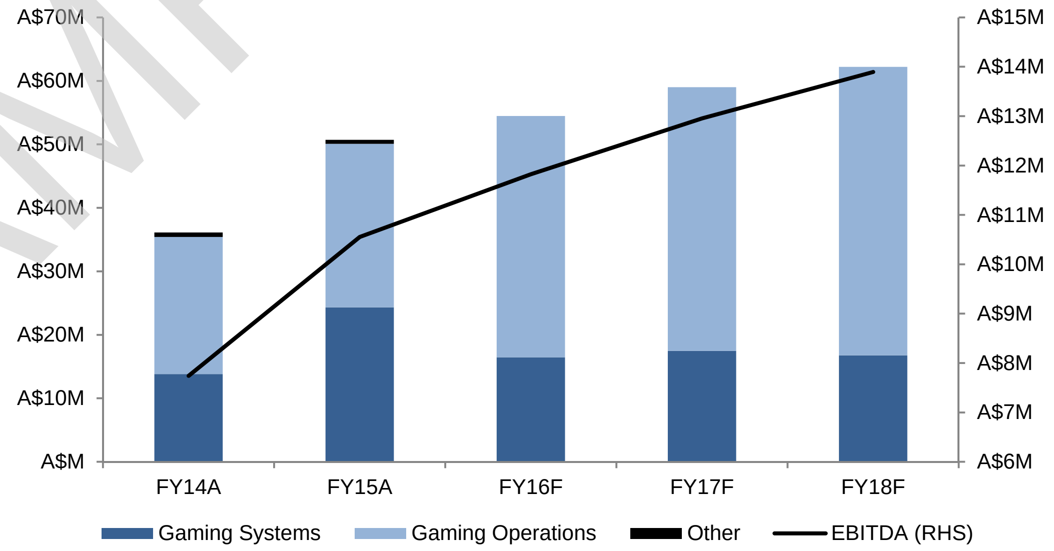
Figure 18: Gaming Operation to drive performance

	FY14A	FY15A	FY16F	FY17F	FY18F
Revenue	**40.8**	**51.6**	**54.9**	**59.0**	**62.2**
System Sales	13.8	24.3	16.5	17.5	16.8
Gaming Operations	21.6	25.7	38.0	41.5	45.4
Gaming Machines	4.7	0.9	0.4	0.0	0.0
Other	0.7	0.6	0.0	0.0	0.0
EBITDA	**7.7**	**10.6**	**11.8**	**13.0**	**13.9**
System Sales	2.8	5.4	3.3	3.5	3.4
Gaming Operations	2.4	4.9	8.4	9.5	10.5
Gaming Machines	0.5	0.2	0.1	0.0	0.0
Other	2.1	0.0	0.0	0.0	0.0

Source: INTECQ and Petra Capital estimates

As sales of Metropolis, CardIT and other value add products increase, the pool of EGMs contributing to the Gaming Operations division is set to increase substantially. Over this forecast period we expect revenue within this division to more than double as EGMs convert to Metropolis and CardIT. Based on our assumptions outlined in the previous section we expect Gaming Operations EBITDA to increase from A$4.9m in FY15 to A$10.5m in FY18 (Figure 19).

Figure 19: INTECQ Divisional Revenue and EBITDA expectations



Source: INTECQ and Petra Capital estimates

We expect strong EBITDA growth over the forecast period. Due to its R&D focus the group benefits from a lower tax rate of 20% which we expect to be maintained in future periods (see Figure 20).

Figure 20: INTECQ P&L

Year to June (A$m's)	FY14A	FY15A	FY16F	FY17F	FY18F
Sales	**40.8**	**51.6**	**54.9**	**59.0**	**62.2**
Expenses	-33.1	-41.1	-43.0	-46.1	-48.3
EBITDA	**7.7**	**10.6**	**11.8**	**13.0**	**13.9**
(% margin)	0.0	0.0	0.2	0.2	0.2
D & A	-4.0	-4.4	-4.5	-4.5	-4.6
EBIT (incl Associates)	3.8	6.2	7.4	8.4	9.3
Net Interest	-0.1	-0.1	0.1	0.2	0.2
PBT	3.6	6.1	7.5	8.6	9.6
Tax Rate %	20%	20%	20%	20%	20%
Taxes	-0.7	2.9	-1.5	-1.7	-1.9
Profit After Tax	2.9	8.9	6.0	6.9	7.7
Net Earnings	**2.9**	**8.9**	**6.0**	**6.9**	**7.7**
Shares	15.3	17.5	17.6	17.6	17.6
Shares Fully Diluted	15.3	17.5	17.6	17.6	17.6
EPS ($c)	**19.0**	**51.1**	**33.9**	**38.9**	**43.4**
Diluted EPS ($c)	**19.0**	**51.1**	**33.9**	**38.9**	**43.4**

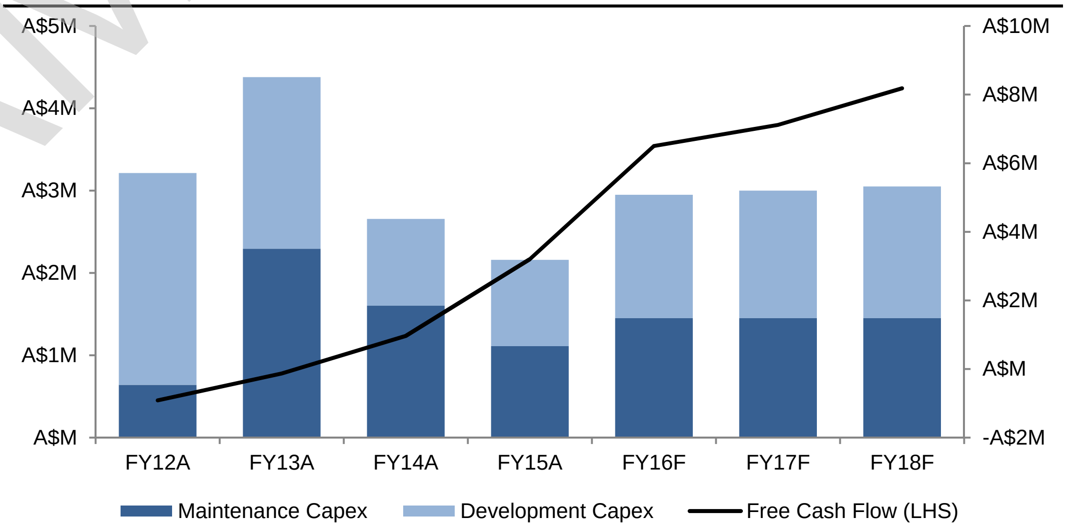
Source: INTECQ and Petra Capital estimates

Cash generation to improve balance sheet and acquisition potential

Cash generation has structurally improved as business attention on Gaming Systems has intensified. As the recurring revenue base continues to expand, the group becomes much less working capital and capex intensive. In addition, the R&D requirements for Metropolis and CardIT have lessened as the product is now up and running. As a result, we anticipate the group will generate strong free cash flow over the forecast period.

We expect FCF generation to increase significantly from FY15, before levelling out at ~A$8m from FY16 onwards as we have been conservative in our capex assumptions, see Figure 21.

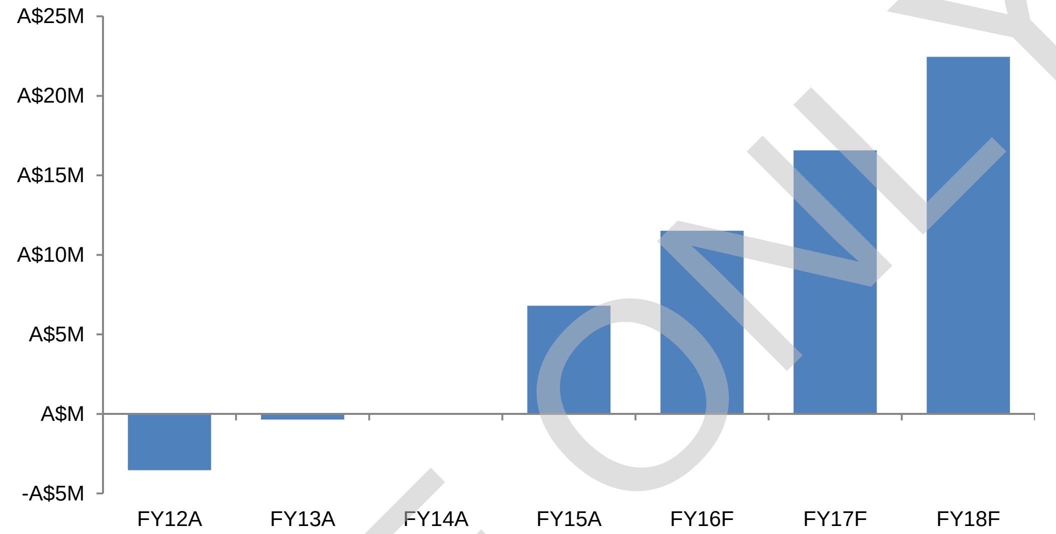
Figure 21: INTECQ Cash Flow



Source: INTECQ and Petra Capital estimates

This strong cash generation will further improve the net cash position of the group from ~A$8m in FY15 to ~A$22m in FY18 (see Figure 22). While shareholders may be keen to see such a strong cash flow be returned through a higher payout ratio, or special dividends, we feel their interests may be better served deploying the capital internally. Management's strong track record with acquisitions, particularly in the systems space, suggests shareholders may see improved returns by allocating cash towards further value enhancing investments over the short to medium term.

Figure 22: INTECQ Net Cash



Source: INTECQ and Petra Capital estimates

Impressive Acquisition Track Record

Odyssey

In June 2011 INTECQ acquired Odyssey Gaming for A$2.3m and while exact details of the business performance are not available, the company indicated in its FY14 results release that due to operation efficiencies the full investment in the business has been recovered.

CDOL

In March 2014 INTECQ completed the acquisition of CDOL, which has been incorporated into the Astute product to enhance the group's business intelligence capabilities. Due to substantial synergies the return on investment in the first year is expected to be between 114%-140%.

FlexiNet

The group acquired competing system provider FlexiNet in July 2014 for A$4.8m (3.1x historical EV/EBITDA multiple). At the time of acquisition the projected EPS accretion was anticipated to be 21%. However, the May 2015 trading update indicated that the business was tracking ahead of expectations.

Valuation

INTECQ has more attractive fundamentals than the wider Gaming Sector

INTECQ has a dominant market position within the Australian gaming systems space. In its core market of NSW it is the number one operator with ~38% market share, almost twice that of its nearest competitor. In the newly opened Victorian market INTECQ was able to win ~70% of it defined share of the addressable market. These impressive figures are clear indicators that the INTECQ systems product is market leading.

The Company is delivering on its strategy to convert legacy systems to its new Metropolis product, which opens the door to potentially upselling value add products such as CardIT. As a result we see substantial growth potential for the business, without having to increase its footprint of EGMs.

When compared to its large cap Australian gaming peers, INTECQ is trading at a considerable discount to the sector (Figure 23).

Figure 23: Gaming Peers Comparative Table

A$	Price	Mkt Cap	PE Multiples		
Company	**($)**	**($m)**	**FY1**	**FY2**	**FY3**
Australian Large Cap Gaming					
Crown Resorts	11.80	8566	17.4	15.9	14.5
Echo Entertainment	4.90	4005	17.0	15.8	14.7
Average Casinos			**17.2**	**15.9**	**14.6**
Aristocrat Leisure	9.60	6142	20.4	18.5	17.5
Ainsworth	2.20	694	12.3	10.2	8.9
Average Slot Machines			**16.4**	**14.3**	**13.2**
Tabcorp	4.40	3675	19.7	18.0	16.7
Tatts Group	4.10	6063	22.0	21.0	20.1
Average Wagering			**20.8**	**19.5**	**18.4**
Sector Average			**18.1**	**16.6**	**15.4**
INTECQ	3.65	64	**10.8**	**9.4**	**8.4**

Source: Factset

The Australian gaming space is really three sub-sectors, with their own individual drivers, independent of each other. However all share the same characteristics of: a highly regulated industry with few players; scale is key to profitability; and market shares fluctuations dependent on whichever operator has the best product. We examine these drivers relative to INTECQ to correctly identify the appropriate list of peers.

Australian Casinos

The Australian Casinos trade at a slight discount to the sector. Crown Resorts suffers from its exposure to Macau though its 34% stake in Melco Crown. Echo Group is a domestic Casino group with three casinos in Australia. The company generates poor returns on its assets and faces regulatory uncertainly at all its properties. Crown Group will open a new casino in Sydney in 2019, competing directly with Echo's The Star property (which until now has enjoyed a monopoly position). Its remaining two properties are underinvested and potentially will have a competing Crown property in the next few years also. Even in the absence of a changing competitive landscape, growth in this market is low mid-single digit.

Given INTECQ's dominant market position, regulatory certainty and high growth expectations we feel it should trade at a premium to these gaming peers.

Australian slot machine manufactures

The Australian Slots Manufactures trade at a slight premium to the sector. Aristocrat has become the dominant player domestically (50% incremental market share) as well as internationally (15% floor share, 35% incremental share). These market share gains have been achieved through a significant R&D investment to produce market leading product. In the USA the business has shifted from an outright sales model to a fee per day model. Ainsworth has had a disappointing performance domestically, due to the lack of new product. However, much like Aristocrat, it has enjoyed success in the USA through a fee per day revenue model.

Aristocrat is the closest peer to INTECQ in our view. Much like Aristocrat is has an industry leading product, dominant market position and significant incremental market share growth. However the model is more attractive than Aristocrats in that converting its footprint to the new system (Metropolis) will drive performance for its customers and revenue and margins for INTECQ. In addition for slots manufactures, the fee per day model requires continued development of industry leading games and reduces switching costs for the casinos, as contracts tend to be on a one month rolling basis. In contract, within the systems market, venues still have an upfront capital commitment, usually depreciated over seven years, and service contracts, resulting in high switching costs.

Australian wagering

In our view, the Australian Wagering market will be the subject of significant structural change over the short term. Punters are switching from tote to fixed odds betting and from retail to online. We see the wagering business of Tabcorp and Tatts Group decline markedly as new sophisticated entrants from the UK and Ireland win market share by competing on Price (40% discount), Product (more markets to bet on) and Platform (marketing and technology). Given these trends and Tabcorp's significant exposure to them (65% of EBITDA) we do not see it as an appropriate peer for INTECQ.

Tatts Group however, is largely a lottery business (70% of EBITDA) which has the benefits of an extremely strong market position and been regulatory secure. In addition its Maxgaming business competes with INTECQ in the EGM monitoring market segment. While it does not have the growth potential of INTECQ, we view it as a much closer peer.

Price target methodology

We view Aristocrat and Tatts Group as the most similar gaming peers to INTECQ. In deriving our price target we have taken the Most Similar Gaming Peers PE and applied a 20% discount to acknowledge the low tax rate, lower liquidity and inherent risks of smaller companies (Figure 24). This generates our Target Price of A$6.00 (Figure 25).

Figure 24: Most similar Gaming Peers

	Price	Mkt Cap	PE Multiples		
Company			**FY1**	**FY2**	**FY3**
Aristocrat Leisure	9.6	6142	20.4	18.5	17.5
Tatts Group	4.1	6063	22.0	21.0	20.1
Average			**21.2**	**19.8**	**18.8**
INTECQ	3.65	64	**10.8**	**9.4**	**8.4**

Source: Factset

Figure 25: Target Price

		FY16	FY17
Most Similar Gaming Peers	PER	21.2	19.8
Weighting	%	50%	50%
Discount	%	20%	20%
INTECQ EPS	c	33.9	38.9
Implied Valuation	**A$**	**6.00**	

Source: Factset and Petra Capital estimates

Key Risks

Regulation

A stable regulatory environment is one of the most attractive characteristics of the gaming sector for investors. INTECQ is most likely to be impacted by regulation affecting the slot machine market in Australia. Slot machines are regulated on a state basis and the sector is a significant contributor to the state's finances. NSW has traditionally been an extremely stable regulatory environment and following an overhaul of the regulatory frame work in 2010 we do not expect any significant changes over the short term. In fact the most recent update to the legislation reduced costs and increased flexibility for the industry while continuing to focus on harm minimisation.

We feel that such measures have struck a politically palatable balance between revenue generation while still protecting problem gamblers. These regulatory changes have made the landscape more competitive with clubs and pubs looking to differentiate their offering, which is increasing the demand for systems and has been beneficial for INTECQ. However, there is an ever present risk that the number of EGMs may be further reduced, which would likely have a negative impact on INTECQ.

The Wagering Sector targeting EGMs

As the wagering sector becomes more competitive following the arrival of sophisticated online operators from the UK and Ireland many struggling operators have suggested taking wallet share of the EGM market as a growth strategy. Should the market experience a sizeable migration of gaming spend from EGMs to wagering it may negatively impact demand for INTECQs value add products.

Increased systems competition

As discussed above, INTECQ competes with some of the largest and best known brands in the global slot machines market within the systems space. Despite the calibre of competitors the group remains the market leader in systems. It is the only systems provider of scale with a product specifically designed for the Australian market.

However, the possibility remains that one of the larger international operators may attempt to improve their EGM sales in Australia by offering a more appropriate gaming software solution, similar to that of INTECQ. Such a move may negatively impact the growth potential of INTECQ.

The Board & Top Shareholders

Paul Oneile (Chairman). Paul Oneile has extensive experience in the entertainment and gaming industries, both locally and internationally. Mr Oneile was CEO of Aristocrat Leisure Limited from 2003 to 2008, Chairman and CEO of United International Pictures (UIP) from 1996 to 2003 while based in London, and Managing Director of The Greater Union Organisation in Australia from 1990 to 1996.

Tony Toohey (Executive Deputy Chairman). Tony Toohey was CEO of INTECQ from 2004 to 2014. Under his leadership the business adopted the recurring revenue strategy, developed Metropolis and CardIT as well as completed the Odyssey and CDOL acquisition. Tony has first-hand experience of the NSW club market as prior to INTECQ he was general manager of Wentworthville Leagues Club where he oversaw a substantial increase in revenues and worked closely with INTECQ to pioneer the introduction of card-based cashless gaming.

Michael Hale (Non-executive Director). Michael Hale has been a Board member since 1999. His background includes Chairman and Managing Director of The Hale Agency, Chairman and CEO of Young & Rubicam Australia, Director of Saatchi and Saatchi London and Foote Cone & Belding UK. He has also been involved with business and strategic planning for major Australia and international companies including British Airways, Unilever, Epson, Toshiba, NRMA and BMW.

Ian James (Non-executive Director). Ian James joined the Board in May 2007. Ian is a former partner of Mallesons Stephen Jaques, a leading international commercial law firm that focuses on advising major corporations and financial institutions. His commercial experience over the past 25 years has been gained in the Australian, United Kingdom, Hong Kong and other offshore markets.

Allan Sullivan (Non-executive Director). Allan Sullivan has more than 30 years of international experience in technology and engineering companies. Allan has held a number of executive roles in technology-based companies including his current position as non-executive director of a number of unlisted technology companies, and as an advisor to Utilico / Ingot Group of companies. He was also previously the CEO and Director of ERG Group, and a member of the Executive Board of Siemens Building Technologies Asia Pacific.

Figure 26: Directors' Interests (showing % on a fully diluted basis)

Director	Shares ('000)	Options (000)	Total (000)
Paul Oneile	0.07	0.0	0.07
Tony Toohey	0.97	0.0	0.97
Michael Hale	9.47	0.0	9.47
Ian James	1.24	0.0	1.24
Allan Sullivan	1.56	0.0	1.56

Source: INTECQ

Experienced Management Team

Peter Walford – Acting Chief Executive Officer

- Peter joined INTECQ in 2014 as Chief Operating Office and became Acting Chief Executive Officer in November 2015.
- Peter brings extensive knowledge of the Australian gaming sector, having previously held positions in slot machine manufactures and online wagering companies.
- Within the slot machine market, Peter has held senior management roles with Aruze Gaming, Aristocrat and Ainsworth.

Tony Toohey – Executive Director

- Tony Toohey was CEO of INTECQ from 2004 to 2014.
- Tony was the driving force behind the recurring revenue strategy
- Tony has first-hand experience of the NSW club market as prior to INTECQ he was general manager of Wentworthville Leagues Club

Robert Fredericks – Chief Financial Officer

- Robert joined INTECQ in 2014 as CFO.
- Robert brings over 20 years' experience in finance roles across various industries.
- Most recently Robert held senior roles with Richard Crookes Constructions.

Nicole Thomas – Group Marketing Manager

- Nicole joined INTECQ in 2012.
- Nicole has a strong gaming marketing background having previously held roles with Tabcorp and West Ashfield Leagues Club (a customer of INTECQ).
- More recently Nicole has senior positions in the Cannon Group.

Figure 27: Top 20 Shareholders (dated 25 August 2015)

	Name	Amount (M)	%
1	RBC Investor Services	2.6	14.8
2	National Nominees Limited	1.7	9.8
3	Citicorp Nominees PTY Limited	1.5	8.5
4	Gailforce Marketing & Pr Pty Ltd	0.9	5.4
5	Equitas Nominees Australia	0.9	5.2
6	JP Morgan Nominees	0.6	3.9
7	Fanchel Pty Ltd	0.6	3.4
8	BNP Paribas Nom Pty Ltd	0.5	2.9
9	Microequities Asset Management Pty Ltd	0.4	2.6
10	Sandhurst Trustees Ltd	0.4	2.5
11	Citicorp Nominees Pty Limited	0.4	2.4
12	Chris Carr & Betsy Carr	0.4	2.3
13	HSBC Custody Nominees (Australia) Limited	0.2	1.3
14	ACS (NSW) Pty Limited	0.1	0.9
15	Roman Lohyn Pty Ltd	0.1	0.9
16	Locope Pty Ltd	0.1	0.7
17	William Corbett & Janet Corbett	0.1	0.6
18	Antonia Collopy	0.1	0.6
19	Trinity Management Pty Ltd	0.1	0.5
20	Foyco Limited	0.0	0.5
	Total	**11.7**	**69.7**

Source: INTECQ

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US Investors

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