Dubber Corporation Limited (DUB)	CASE:	Reverse DCF	DATE:	5/08/2021

The Story

This is a reverse DCF that looks at what is priced into the current market price of $3.48 and accepts company guidance on FY23 growth. The business model offers strong positive cash flows at scale and is a leader in a market with a large TAM. Execution to date has been solid and the use of partners through which to distribute the product allows for rapid growth and to remain capital light. Gross margins are lower than most SaaS businesses as the margin in shared with distribution partners (Cisco, Zoom, Teams, Testra and many more top names), which allows for rapid growth without requiring a large selling and marketing spend or being limited by the this spend. Growth and market penetration will be accelerated by acquisition which also offers product growth for upsell and a quicker land grab in the new market of cloud voice recording and data analytics.

The Assumptions

What	Base Year	Terminal Year	Link to story
Revenue KPI	-	-	
Revenue	81.8%	3.0%	Strong growth for many years, with terminal growth at 3%
Gross Margin %	50.0%	66.0%	Expected to grow with upsell and sale economies
EBITDA Margin %	-68.3%	50.8%	Significant operating leverage offered by business model
Tax	0.0%	27.5%	Assume Australian rates as an average, note tax losses available for several years
Capital Spend	-	1,297	Capital light business, requires minimal capital and expenses R&D
Share Count Changes	304,568	378,693	Includes recently announce capital rase, then 2% for dilutive issues to be conservative
Discount% : EV/EBITDA	10.0%	10.00	Average market discount rate used and modest Terminal ration equivalent to P/E of 14

The Cash Flows (A$'000)

Year	Dilution	N/A	Revenue	Gross Margin	%	EBITDA	%	Tax	Capex	FCFF
1	310,660	-	52,650	27,378	52.0%	-5,721	-10.9%	-	500	-6,221
2	316,873	-	83,606	45,147	54.0%	7,083	8.5%	-	550	6,533
3	323,210	-	118,499	66,359	56.0%	24,489	20.7%	-	605	23,884
4	329,675	-	156,672	90,870	58.0%	44,812	28.6%	-	666	44,147
5	336,268	-	198,366	119,020	60.0%	68,357	34.5%	17,287	732	50,337
6	342,993	-	243,838	148,741	61.0%	95,545	39.2%	24,688	805	70,051
7	349,853	-	293,361	181,884	62.0%	126,028	43.0%	32,992	886	92,150
8	356,850	-	340,368	214,432	63.0%	155,783	45.8%	41,091	974	113,717
9	363,987	-	377,622	241,678	64.0%	180,096	47.7%	47,690	1,072	131,335
10	371,267	-	410,908	267,090	65.0%	202,430	49.3%	53,740	1,179	147,511
Terminal	378,693	-	446,579	294,742	66.0%	226,848	50.8%	60,359	1,297	165,193

The Value (A$'000)

Terminal Value (Diluted)	1,824,459	Cashflows discounted for dilution		
PV (Terminal Value)	644,996			
PV (FCFF of next 10yrs)	290,478			
Value of Operating Asset	935,474			
Adjustment for Distress	-	Failure Probability = 0%, strong capital market support		
Adjustment for Future Options	93,547	Option Case = 10%, opportunity with acquisitions		
- Debt & Minority Interest	-			
+ Cash & Equivalents	32,041			
Value of Equity	**1,061,062**			
Value per share (Base Currency)	$ 3.48	**Insider Holding%: 19.6%; 20p Rem Report; GlassDoor: Rec 56%, CEO xx% (xx Rev)**		
FX Rate	1.000	**Current Price**	**%**	Assumptions built into current market price. Upside opportunity
Value per share (A$)	**$ 3.48**	**$ 3.45**	**1%**	with higher sales growth are possible.

Source: Methodology and Format are based on that done by Aswath Damodran (see: aswathdamodaran.blogspot.com)

Disclaimer: Valuation is not to be relied on as financial advice of any sort and is prepared for personal use of the author only.