

**Growth opportunity - global provider of unique software for online media management**

**Recommendation: Buy for significant long-term upside potential**

**Investment Rationale**

Facilitate Digital creates digital advertising and direct marketing solutions that emphasise simplicity, integration and flexibility for media agencies worldwide. Clients include global agencies such as Universal McCann, Zenith Optimedia, Starcom, OMD and GroupM, through which Facilitate Digital provides technology solutions for large-scale advertisers such as Citibank, Johnson & Johnson, Mitsubishi, Nestle, Foxtel, Westpac, Colgate, Paramount, Honda, Canon and St. George Bank. Facilitate Digital's proven products and expertise across all digital media disciplines and industry leading campaign workflow automation empowers clients to produce measurable results that optimise return on investment. With offices in Australia, Asia, United Kingdom, Europe, and USA, Facilitate Digital works across cultures as well as digital marketing channels.

Given the rapid growth of online advertising expected in the years ahead, the leadership position established by Facilitate Digital in the media agency segment, the rapid growth of digital media, its strong Board, experienced management and modest cash requirements, we see Facilitate Digital as an opportunity at the cusp of significant profit expansion.

**Background**

Facilitate has developed software that enables, tracks and optimises all forms of digital marketing. Its products, all proprietary, are clearly differentiated and have been performing core administrative functions for leaders in the media sector in Australasia and increasingly globally for several years. Development of technology and capabilities has necessarily come ahead of profit growth.

Facilitate's technology has been developed and is owned by Facilitate. Its revenue and profit growth has been positive and purely organic, funded by cash flow. The company has established an impressive customer base, first across Australasia and by 2007 also in Northern Europe, expanding more recently across Europe and into North America. It has also well-established alliances with some of the world's largest media agencies.

As the potential global customer base is not large, and significantly concentrated in a number of global agency groups, word of mouth and established reputation are the primary routes for market penetration. In 2010 we find Facilitate on the cusp of very substantial potential expansion, having proven its product supremacy and efficacy among some of the largest media groups in various countries. Likely profit growth looks realistic and attractive.

**Contents**

*Initiating coverage of Facilitate Digital, this report surveys briefly:*

Facilitate Digital's products meet the needs of the Media Industry	2
Four Partnerships & Contracts acclaim its Product Leadership	3
Its Product Development in the Context of the Global Industry	4
Board and Management	5
Corporate History	6
Financials – Intersuisse estimate of underlying 2003-2009, FY09, 1H10	7
Results for 1H10, Balance Sheet, Cash Flow & Shareholdings	8

**Recommendation**

The digital advertising sector has been the fastest growing area of media spending across many countries over the last few years. This trend is seen as long-term and set to accelerate. Facilitate has a strong claim to owning a position in the forefront of that rapid global growth. Its capital needs should remain modest, substantially covered by its organic cash flows. Its team has built that position with over a decade of experience together, learning useful lessons and showing resilience along the way. The board now includes highly regarded and experienced players. We recommend Facilitate Digital as a highly promising and low priced long-term growth investment opportunity.

**Snapshot**

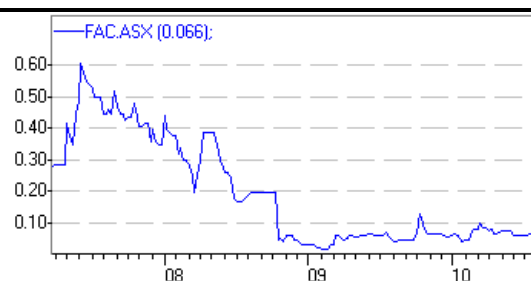
Last Price	\$0.066
Market Cap.	\$8.6 million
52 Week High	\$0.149
52 Week Low	\$0.035
Sector	Software for the Media Sector

**Investment Fundamentals**

Year-end	June	FY07A	FY08A	FY09A	1H10A	FY10E	FY11E
Revenue, \$m	3.17	3.51	6.38	3.65	7.4	9.5	
EBITDA, \$m	0.33	-1.53	0.78	0.62	1.5	2.8	
EBIT, \$m	0.07	-2.38	-0.56	-0.18	0.1	0.7	
NPAT, adj, \$m	0.13	-1.81	-0.47	-0.12	0.0	0.7	
EPS, ¢	0.16	-1.69	-0.40	-0.10	0.0	0.54	
PE Ratio, x	-	-	-	-	-	12.3	
Dividend, ¢	-	-	-	-	-	-	

Source: Intersuisse preliminary estimates of possible growth of underlying earnings, to be updated after the FY10 results.

**Price Chart**



**Business Description**

Facilitate Digital Holdings Limited (ASX Code: FAC, here "Facilitate Digital") is a global provider of software technology to manage, measure and optimise digital marketing campaigns. Its software and systems are used by major global agencies both to help manage and administer their own business and to optimise their work for large scale advertisers. Founded in 2000, Facilitate Digital claims the leading technology for managing and automating agency workflow.. It has won major global clients and valuable partnerships which validate its technology leadership and strengthen its revenue and growth prospects.

**Directors**

- Mr. Stuart Simson (Non Executive Chairman)
- Mr. Geoff Dixon (Non Executive)
- Mr. Charles Sweeney (Non Executive)
- Mr. Ian Lowe (Chief Executive Officer)
- Mr. Ben Dixon (Chief Operating Officer)

See the website: [www.facilitatedigital.com](http://www.facilitatedigital.com)

Analyst: Peter Russell

## Facilitate Digital's Products meet the needs of the Digital Media Industry

We have only been 'online' for a couple of decades, and seriously so for less than a decade. Can you remember when you first used dial-up on your home computer? When you got broadband? When you struggled to find anything on the web—and spent so long looking before success, then waited ages to download an unattractive result? But already you can now find almost anything on Google, wide resources on Wikipedia or Facebook, and can immediately find a restaurant, check its menu and make a booking online quicker than yellow pages. And track down and compare new cars, airline schedules, fridges and toasters without moving more than a finger.

Yet of course, this online revolution is in its infancy. Much more is developing and the rate is continually increasing. Online advertising is set to overtake print across many economies and markets in the next few years.

This rapid growth puts considerable pressure on digital media professionals. At the cutting edge of their new technology, like most pioneers they have to focus on each result, reaching each goal one-by-one, the boring business of recording the process relegated to pencil and paper. Or at best an excel spreadsheet. So the administrative streamlining and coordination of online media campaigns lags their creation. Their costing, measurement of efficacy, comparisons of sales results and media buying charges still tend to be handled individually (if at all!) rather than across agencies and sectors.

Some in the industry have noted this and been doing something about it. We believe Facilitate Digital has been ahead of the game from its early days. It developed and has now implemented across a number of like-minded 'early adopters' at major global and national agencies a suite of software products that take the hard labour out of these mundane but essential tasks of managing and optimizing marketing campaigns. Some others have also seen and worked towards this end, but we believe that Facilitate Digital's advantages offer a strong and potentially long-term global market leadership in this niche but significant and rapidly growing field.

Facilitate Digital has prime mover advantage. Run by experienced online media professionals it understands the needs and language of its customers. It has built a team of ITC professionals and created one suite of interlocking software systems that can handle the backroom, accounting, costing, analysis, reporting and presentation of data across the online media business. And, most critically, it has been successful in selling its wares to a range of industry practitioners in Australia, Asia, UK, Europe and North America. The players in the industry are not numerous. Facilitate Digital's clients already give it deep penetration into global leaders. The feedback and product testing and development this has engendered should ensure Facilitate Digital keeps its lead and builds a strong moat around its global position. Remaining independent from its clients preserves another important advantage in the close-knit advertising community.

We use the words of Facilitate Digital to outline its key products below. More detail is available on the website, [www.facilitatedigital.com](http://www.facilitatedigital.com):

### Symphony media

The process of planning, scheduling and executing web-based advertising campaigns is complex and time intensive. The absence of uniform, customisable technology to facilitate the process has limited the scalability of efforts to date.

**symphony media** is a campaign management solution that, for the first time, automates workflow, centralises critical documentation and delivers uniformity for all stakeholders:

Media Agencies & Advertisers,  
Publishers and Creative Agencies.

### Total Campaign Control and Document Delivery:

**symphony media** generates and automatically stores critical documents to ensure campaign integrity and adherence to time lines at the key stages of the campaign life cycle - including;

- u Campaign briefs
- u Customised media schedule export
- u Production schedules
- u Monthly billings management
- u Export billings to Finance System
- u Campaign expenditure reports
- u Task management summaries
- u Proposal schedules
- u Insertion orders
- u Campaign status reports
- u External data import

### Facilitate for agencies

**Adserving can often be complex and time consuming.**

Facilitate for Agencies (FFA) is advanced adserving technology designed by experienced digital media professionals for digital media professionals. The system is therefore intuitive and easy to use, provides access to an unrivalled depth of reporting and forms part of an integrated product set that is a generation ahead of anything else available in the marketplace today.

### FFA And FacilitateOne Give You:

Facilitate for Agencies is part of FacilitateOne, the world's first, single, integrated digital marketing platform for agencies. FFA integrates seamlessly with each of the suite's components, which include Facilitate Search and Symphony, the most sophisticated workflow management tool for digital media agencies available today. Together, they enable digital media agencies and advertisers to manage any and all digital marketing channels as one, single channel. The integrated data derived from FacilitateOne can drive the development of business intelligence for maximising return on investment from display advertising, search marketing, agency workflow and web analytics.

**Four major partnerships and contracts acclaim Facilitate Digital's product leadership**

A. On **14 August 2008**, Facilitate Digital announced a **global partnership with EyeWonder Inc, a leading US based provider of rich media technology**. Terms included:

- Exclusive rights for Facilitate Digital to distribute the EyeWonder platform across the Asia Pacific region
- EyeWonder to invest up to A\$2.0m in Facilitate Digital, in September 2008 fixed at \$0.5m at 15¢ per share
- EyeWonder will resell the Facilitate Digital product suite into the US market
- Facilitate Digital and EyeWonder will collaborate on large client opportunities across UK and Europe
- Facilitate Digital will secure a revenue share on all revenue generated by EyeWonder in APAC territories.

In September 2008 it was confirmed that the partnership included shared sales initiatives in the United States, Europe and the Asia-Pacific region, with EyeWonder seeing the arrangement as playing an important role in its global development, in particular the combined footprint of the two companies providing an operational platform to win and service multinational agency group contracts.

On 30 May 2009 Facilitate Digital received an unsolicited offer from EyeWonder to acquire a 51% stake, by being issued new shares at 5.5¢ each and to acquire other shares at 6¢ each to achieve this shareholding. In lieu of making a formal takeover offer, EyeWonder requested Facilitate Digital to seek appropriate shareholder approval for the transaction. The board unanimously rejected the proposal, which was dropped.

B. On **17 August 2009**, Facilitate Digital announced a **regional contract with GroupM, the world's largest media agency group**. The contract would see Facilitate Digital's Symphony technology rolled out across all major GroupM agencies throughout the Asia-Pacific region including Mindshare, Mediacom, Mediaedge:cia and Maxus, encompassing markets such as Australia, China, Hong Kong, India, Malaysia, Singapore, Taiwan, Thailand and The Philippines.

"This represents strong validation of the value of Symphony", said Facilitate Digital CEO, Ian Lowe. "Through Symphony GroupM will improve the efficiency of their business process, secure improved scalability and ensure best practice standards are applied uniformly across the APAC region. "Particularly pleasing is that GroupM identified Facilitate Digital as the only provider capable of meeting their requirements. This speaks to both our ability to provide a single platform encompassing diverse markets, and the underlying strength of our technology."

C. On **30 September 2009**, Facilitate Digital announced an **agreement to integrate and license its Symphony technology with US based Harris Corporation (NYSE: HRS), a leading provider of accounting software solutions to the advertising and media industry**.

The agreement will see Facilitate Digital undertake a comprehensive integration of its Symphony workflow and buying platform for digital media with Harris Corporation's EAS accounting solution for media agencies. Harris would re-sell the integrated solution to both existing and prospective clients. Facilitate Digital should over time receive development and product related revenues from the re-sale of the integrated solution by Harris.

"This new agreement will assist Facilitate in targeting a profit for FY10," said Facilitate Digital CEO, Ian Lowe. "It follows the recently announced agreement with Group M to provide the Symphony solution to its agency network throughout Asia. It also delivers scale and strong revenues in the US market and furthers the geographical diversity of revenue for the business."

"This is an opportunity for us to materially advance our already market leading product in collaboration with a well established and significant player in the North American market. The collaboration will allow us to offer the industry high levels of workflow automation across planning, buying and finance, and provide agencies with cost efficiency benefits. Harris' extensive client base in US and Canada provides an opportunity to market these benefits direct to large US agencies."

**Joe Lampert, Managing Director of Harris Corporations Advertising Solutions Group**, believes the partnership will provide strong efficiencies for their North American client base. Mr Lampert said: "**Facilitate Digital has anticipated the industry's need to re-engineer their business process well ahead of the industry itself. As a result Symphony is a mature, sophisticated platform and beyond doubt the market leader.** We believe the commitment of our companies to collaboratively vision and develop future generations of this technology will redefine how agencies view their opportunity to create value for advertisers. We are talking about a program of invention that will make agencies smarter, faster and at the same time lower their cost base."

D. On **22nd March 2010**, Facilitate Digital announced a **contract with leading US media agency G2 to implement its Symphony platform. G2 is owned by WPP, the world's largest agency group**.

"The contract will see Facilitate's **Symphony** technology rolled out across the **G2 organisation**", said Facilitate Digital CEO, Ian Lowe. "This is a significant contract and reflects the favourable response we have seen in the US market for the **Symphony** product. It also demonstrates the company's ability to secure larger opportunities in the US market which is a key target market for us".

Mr Lowe said trading conditions across all key markets continue to steadily improve, with recent wins such as GroupM Austria expected to underwrite an ongoing increase in the proportion of revenues derived from off shore markets.

**On 1 July 2010 Facilitate Digital announced a major contract with a global end-user – Citibank**

The above contracts clearly reflect the standing of Facilitate Digital and its technology within the media industry. The latest announced deal, with Citibank, shows acceptance at the top level by major advertisers of Facilitate Digital services for their internal use. Citibank, one of the world's largest banking institutions, will now use Facilitate Digital's FFA aderving platform for all online advertising including display, performance display, affiliate and search display across multiple Asia Pacific markets including Singapore, Hong Kong, Malaysia, Philippines, Thailand and Indonesia. Facilitate Digital already services Citibank in Australia.

Importantly, Facilitate Digital has been able to integrate FFA with Citibank's internal toolset and data streams, a solution Citibank Australia has used for some time. This helped to establish the sound business case for roll out across the region. The contract strengthens Facilitate Digital's market share in the regional financial services segment, where it already services Westpac and St. George Bank, GE Money, Macquarie Bank and MLC.

### The Product History of Facilitate Digital — in the context of the Global Advertising Industry

Facilitate Digital Pty Ltd was established in 1999/2000. By 2007 Facilitate Digital had established a strong track record as the market leading software provider to the digital advertising sector in Australia and New Zealand. It built sales and profit over the latter years to 2007 despite its strong and continuous investment in R&D. By 2007 it had commenced offshore expansion, its founders having always recognized that IT systems once proven of value to the media industry in Australasia would be acceptable globally for moving the management of online advertising into the modern era.

Facilitate Digital is a global provider of tools for the digital advertising industry (i.e. predominantly the on-line advertising industry). The worldwide digital sector is the fastest growing sector of the overall advertising industry. There are many complexities and innovations in the industry and the participants from traditional advertising media are seeking new software, tools and products that will make their on-line advertising effective, flexible, manageable and economic.

The worldwide scene in this industry was transformed by two corporate events that coincidentally occurred within a few weeks of Facilitate Digital's listing on the ASX in March 2007. First, DoubleClick (the largest provider of online advertising services) was purchased by Google for US\$2.1b. Microsoft then purchased aQuantive (the second largest global supplier in this market through a subsidiary called Atlas) for US\$6b. These two transactions left Facilitate as one of the few leading independent providers of digital marketing solutions in the international market.

The issue of independence is crucial. Unlike the two biggest players in the market, Facilitate Digital is not owned or controlled by a publisher of online content.

Advertising agencies and corporate advertisers are sensitive to the status of the providers of online tools which include volume statistics, campaign results, pricing, etc. Facilitate Digital is therefore one of the few options for agencies and advertisers to run their campaigns without compromising their information.

With this significant strategic advantage, Facilitate Digital has continued to pursue market share growth, international expansion and the international launch of a "best in class" suite of digital marketing products.

In 2008 and 2009, despite the GFC (and maybe even aided by it), digital marketing communications saw a continuation of strong worldwide growth. Trending at 20-30% per annum in most markets, this growth is fuelled by the fact that digital media produces results for advertisers of every category. Marketers continue to actively migrate budget from non digital media into digitally enabled communications including online display advertising, search marketing, affiliate marketing and mobile and email marketing. The measurability of digital media delivers an unprecedented level of accountability for the advertiser, and so the growth is expected to continue through the next decade. This gives Facilitate Digital a favourable environment for its own profitable growth into the future.

In May 2007, Facilitate Digital launched a leading edge, search marketing product, its first offering in a segment worth \$399m (source: Audit Bureau of Verification Services (ABVS) Search and Directories category) in Australia.

In FY08 a focus was securing world class talent to manage and grow each international operation.

Large non recurring costs associated with developing new markets were incurred between July 2007 to March 2008, but monthly operating costs were reduced by more than 20% from April 2008.

It had become clear that Facilitate Digital offers a clearly differentiated technology that directly addresses the market's need to secure operational and process efficiencies

Building on the internationalisation begun in 2007, in 2008 Facilitate Digital further expanded its global presence with a London office. London is a critical location given the volume of client activity in both the UK and Europe controlled and managed via London based head offices. Despite delays due to a protracted hiring process, sales momentum was established and clients secured.

In 2008 Facilitate Digital realised its vision of creating a single, integrated toolset encompassing several of the key digital marketing disciplines, *FacilitateOne*, still the only solution of its kind in the market. The campaign workflow automation platform *Symphony* continued to establish Facilitate Digital as a leader in the design and development of digital marketing technology. *Symphony* will contribute increasingly to growth as media agencies across the globe seek to scale their digital divisions quickly and profitably.

Industry consolidation including the acquisitions of technology companies noted above, established independence as a valued attribute, in turn raising the opportunities for Facilitate Digital with the largest global clients.

The exclusive global partnership with EyeWonder, the fastest growing provider of rich media technology, provided Facilitate Digital with access to EyeWonder's US client base, distribution rights around the world, and the opportunity to integrate the respective technology platforms to create new capabilities.

The Facilitate Digital Board was restructured in September 2008. These moves and the growing maturity of the company's integrated software suites, bringing rapidly increasing client acceptance, coupled with the learning experience of the acquisition and subsequent divestment of Impact Data, saw an evolution and focusing of strategy. This allowed Facilitate Digital to attract new directors in June 2009 bringing strong digital marketing industry experience and global leadership credentials to the company.

By FY08, having grown the share of its then immediately addressable Australian market from 10% to over 50%, Facilitate Digital expanded into the United Kingdom (eight times the size of the Australian market) and Asia (the single fastest growing region in the world).

**Facilitate Digital Holdings Limited**

**FAC**

**29 July 2010**

Facilitate Digital established operations in London and Singapore, aiming for these to be profitable in FY09. First UK revenues were generated in May 2008. Substantial new clients were also secured in Europe. Early wins in UK and Europe included

- UPC (tier one telecommunications provider in Europe)
- Mediexplain (European media agency)
- Blue Barracuda (UK based media agency)

Technology is key to Facilitate Digital's success, and recognising the need to internationalise the product, substantial investment was dedicated through FY08 to future proofing product platforms. This work focused on four key areas: Amending systems to international best practice; Re-architecting to ensure superior scalability; Expanding Symphony to maintain competitive advantage; and Integrating the user experience across all products (FacilitateOne). The result has been to give the products the ability to compete in even the largest and most demanding markets, adding scalability to its differentiation and demonstrating thought leadership to the client community.

FY09 saw strong growth in underlying operations and significant advances in global markets. Overseas operations were stepped up and the proportion of offshore revenue increased substantially. This trend is continuing, aided by the several partnerships and contracts outlined on page 3 above. This underlying strong progress was achieved despite problems with Impact Data, the final settlement of which is outlined on page 7.

By 1H10, the principal activities of Facilitate Digital were described as:

- enabling, tracking and optimising all forms of digital marketing (e.g. online display advertising, search marketing);
- measuring and analysing website content, activity and behavioural diagnostics;
- offering a range of modular products that enable the marketer to correlate results across various activities;
- uniquely automating complex processes; and
- streamlining campaign administration and centralising the collection of real-time campaign performance information.

Management is committed to continued cost management to secure a net profit in 2H10. It is encouraged by the growth across the major revenue streams of ad-serving (the publishing and tracking of online display advertising) and the Symphony workflow automation platform. Geographic diversification of revenues continues, particularly in Europe, with the US coming on-stream. Ad-serving revenues continue to grow with the global recovery in advertising markets and the continued shift away from traditional media to online media.

**International Operations**

Much of Facilitate Digital's growth over FY09 is attributable to offshore operations, with major client wins in Asia-Pacific, Europe and United States of America. These wins have included GroupM APAC, GroupM Germany, G2 (US) and Publicis New Zealand (agencies Starcom and Zenith Optimedia).

The *Symphony* product is generating strong demand. *Symphony* is a capability unique to Facilitate Digital, and provides media agencies with the ability to automate complex campaign workflow, as well as to integrate this workflow into various other agency tools such as ad-serving, finance and creative production.

The Harris Corporation partnership has seen Facilitate undertake a comprehensive integration of *Symphony* with Harris Corporation's accounting solution for media agencies.

Much of Facilitate Digital's growth over FY09 was in its offshore operations, with major client wins in Europe and USA.

These illustrate that Facilitate Digital's unique offering is meeting industry needs: a purpose designed technology platform to automate complex campaign workflow for media agencies (*Symphony*), with FacilitateOne integrating this workflow into the various critical agency systems such as ad-serving, finance and creative production. Facilitate Digital's independence is also viewed as increasingly valuable by agencies and their clients.

In the United States, a dedicated technology hub was installed in 2Q10 which has enabled clients to be signed and growing revenues to be established.

The rollout program for the significant regional contract with GroupM is expected to realise full revenue potential by August 2010.

Also in December 2009 Facilitate Digital announced it had secured a contract with Publicis New Zealand, encompassing market leading agencies Optimedia and Starcom, in the process securing large clients such as New Zealand Telecom, New Zealand's largest advertiser.

The Company continues to aggressively seek new agency partners in major markets.

On the appointment of Mr Stuart Simson and Mr Geoff Dixon to the Board, Chief Executive Ian Lowe said: "The appointments complete a necessary renewal of our board. We look forward to utilising their extensive experience as we explore significant opportunities ahead."

**Board and Management**

**Directors**

**Mr. Stuart Simson - Chairman**

Appointed 9 July 2009, Stuart Simson has 39 years experience in media and marketing. He is a former Chairman of emitch Limited, a leading online media agency, and is Director of specialist online media agency, Switch Digital Pty Ltd. He is a director of MOKO.mobi Limited and Parts All Over Pty Ltd. Mr Simson is a former Managing Director of The Age and Sunday Age, and Editor and CEO of BRW Publications. He is a Council Member of Leadership Victoria. On his appointment Mr Simson said: "Facilitate has delivered a strong turn-around in the second half of FY09, with new business revenues and ongoing cost containment. Facilitate's leadership as an independent provider of business process automation for media agencies is a strong value proposition as agencies strive to reduce costs and rapidly adapt their service offering."

**Facilitate Digital Holdings Limited**

**FAC**

**29 July 2010**

**Mr. Geoff Dixon – Non Executive Director**

Appointed 9 July 2009, Geoff Dixon is one of Australia's most experienced and successful corporate executives. He is the former Managing Director and Chief Executive Officer of Qantas Airways Limited and has wide experience at board level in the media, general business and philanthropic sectors. He is a director of Crown Limited and Consolidated Media Holdings Limited. He is also Chairman of the Garvan Research Foundation, and Deputy Chairman of Tourism Australia.

**Mr. Charles Sweeney, BCom, LLB, MAICD – Non Executive Director**

Charles Sweeney graduated in Commerce/Law from Melbourne University in 1998. Whilst studying Charles co-founded one of Australia's leading domain name registries. Charles then worked as a consultant with a boutique Melbourne consulting firm where he focused on private equity, including mergers and acquisitions. During this time, Charles co-founded Facilitate Digital with Ben Dixon. Charles is a lawyer with Brisbane commercial law firm, Cooper Grace Ward where he specialises in mergers & acquisitions, intellectual property, information technology and corporate advisory.

**Mr. Ian Lowe, ASCM – Chief Executive Officer**

Ian Lowe has broad cross media and marketing experience, accumulated over 22 years of working in and managing media and media related organisations, including George Patterson Bates, Thompson Media, and PMP Limited (ASX: PMP). Prior to joining Facilitate Digital in 2002, Ian held executive management positions in various technology and media technology companies, including Managing Director of Red Sheriff Ltd and CEO of Traffion Pty Ltd. During Ian's tenure Red Sheriff grew from a staff of 10 to become a global leader in web analytics and market intelligence, with more than 1000 clients in 52 countries. Leveraging his extensive business and media experience, Ian has developed and managed small, medium and large enterprises through periods of significant growth, developing global business, products and distribution strategies in industries as diverse as publishing, distribution, IT and digital communications. Ian holds an ASCM performance diploma from the NSW Conservatorium of Music.

**Mr. Ben Dixon – Chief Operating Officer**

Ben Dixon's career in the advertising industry goes back almost 17 years and includes roles at several large multinational agency groups including DDB and Mojo. He has wide experience across both the media buying and account management fields having held senior positions directing accounts for advertisers such as Telstra and Kraft Foods. In particular Ben was responsible for the development and implementation of eCommerce and online strategies across a number of advertisers. In late 1999, Ben conceptualised and then co-founded Facilitate Digital Pty Ltd, assuming the role of General Manager. In the subsequent 3 years Ben played an integral role in steering the business through an industry collapse to a position of strength. Ben assumed the role of Chief Operating Officer in 2003.

**Management**

Facilitate Digital's executive management team comprise several internationally credentialed professionals, all hand picked for their rich experience working in media agencies around the world. This experience provides the company with a clear advantage in the form of a detailed working knowledge of the media agency business model and operational dynamics. In particular, this knowledge provides significant benefit in the areas of product strategy, product design, business development and client service. Facilitate Digital is the only technology provider to media agencies that has sought to underwrite its future and vision with a purpose built team of media agency professionals.

With its head office in Surry Hills, Sydney, Australia, Facilitate Digital also operates offices for regional business development in Auckland, New Zealand; Dublin, for Europe; London, United Kingdom; Atlanta, Georgia for the United States; Singapore; Stockholm, Sweden; Amsterdam, The Netherlands; and Hamburg, Germany. The company owns 100% of each of the following companies: Facilitate Digital Pty Ltd, Australia; Symphony Media Pty Ltd, Australia; Facilitate Digital Limited, New Zealand; Facilitate Digital UK Limited, United Kingdom; Facilitate Digital Europe Marketing Technology Limited, Ireland; Facilitate Digital Deutschland GmbH, Germany; Facilitate Digital LLC, United States.

**The Corporate History of Facilitate Digital as a Listed Company**

**The Purus Merger and ASX listing in FY07**

Facilitate Digital became listed in March 2007 by a backdoor listing. In the second half of 2006 Purus Energy Limited (ASX Code: PUR) had completed an exploration program without proving the prospects of a commercial Coal Seam Gas field. Further activities were suspended and the Board and its advisers sought alternative prospective businesses. In December 2006 Purus and Facilitate Digital signed a merger agreement. In March 2007 the merger was duly completed following an independent expert's report and EGM of Purus.

The name was changed from Purus to Facilitate Digital Holdings Limited (and ASX code FAC). Purus was valued at its cash value on completion, plus \$500,000, a total of ~\$4.3m. The Facilitate Digital business was valued at \$11.0m, plus agreed actual and notional assets. All shares resulting were consolidated to 20¢ each. Facilitate Digital shareholders then held some 70% of the resulting capital, with options to purchase within five years an extra \$4m of shares at a 25% premium to the completion issue price, together with performance based options for an additional \$3m of shares at that same price provided the NPAT of Facilitate Digital has exceeded \$2m in a full financial year post completion.

The Board of the new Facilitate Digital was to comprise the previously non-executive Chairman of Purus, Peter Vial and five Facilitate Digital directors – non-executive Chairman Robert Hunwick, CEO Ian Lowe, Executive Director and Founder Ben Dixon and non-executive Directors Tim Norton and Charles Sweeney.

By April 2007 the issued capital was 92.09m fully paid ordinary shares. This had risen to 121.02m shares by June 2009 and is now 130.53m shares after the April 2010 1 for 12 rights issue. Options now outstanding apart from those under the Employee Share Option

**Facilitate Digital Holdings Limited**

**FAC**

**29 July 2010**

Plan (ESOP) created in April 2007 are those issued to the shareholders of Facilitate Digital P/L through the Purus merger, namely 23.69m unlisted Initial Options exercisable at 21 cents on or before 10 April 2012 and 17.77m unlisted Performance Options similarly exercisable at 21 cents on or before 10 April 2012, provided that the NPAT of Facilitate Digital has exceeded \$2m in a full financial year by then.

A key result of the Purus acquisition and ongoing operations was an increase in cash at year end from \$0.4m to \$2.6m.

In FY07, aside from listing on ASX, Facilitate Digital opened three new offices across Asia and Europe; set up a world class executive and regional management team; launched a leading search marketing solution; accelerated investment in product development culminating in the global launch of its integrated platform; developed global infrastructure to prepare for offshore expansion; and set up an Innovation Division, dedicated to pursuing new capabilities through proprietary development or partnerships. The company also agreed to acquire a leading direct marketing technology provider, Impact Data Pty Ltd.

**FY08, FY09 and the Impact Data Acquisition and Divestment**

Early in FY08, Facilitate Digital raised \$5m by a share issue at 41¢ to fund the purchase of Impact Data Pty Ltd, mobile phone and email marketing provider. In September 2007, Facilitate Digital acquired Impact Data P/L in a combined cash and scrip offer with an earn-out. An initial payment of \$6.25m was made of which half was paid in cash and 6.51m fully paid ordinary shares were issued to the vendors. The earn-out would involve the issue of up to 6.25m further ordinary shares depending on Impact Data's defined FY08 EBIT on multiples of 6.25x to \$3m up to 7.5x above \$4m.

Impact Data promised to add significantly to the profits of the Group and to its penetration of the market by opening up the area of direct marketing to individuals – one of the crucially important and rapidly growing aspects of the online market, particularly the youth market. CEO Ian Lowe observed that, "The acquisition of Impact Data broadens the offering available to marketers to encompass both media and direct marketing disciplines. This is valuable to marketers as they seek to better understand the relationship between media communication, direct marketing communications, and the overall performance of their marketing strategy and associated activity."

However, as events eventually unfolded, such mutual benefits were not realised and Impact Data's performance proved disappointing. Due to this deteriorating performance, in FY09 a net deferred tax asset of \$1.4m was de-recognised, and after providing for tax of \$0.15m the continuing operations generated a total loss of \$2.22m. The consolidated loss for the group (including the discontinued operation Impact Data) was \$9.16m including an amount of \$6.94m being the impairment costs associated with the disposal of the Impact Data Group. Facilitate Digital commenced litigation against the vendors of Impact Data in October 2008.

In June 2009, Facilitate Digital settled its litigation against the vendors of Impact Data and reached agreement to sell the Impact Data Group effective from 12 June 2009 to an entity controlled by the original vendors of Impact Data in full and final settlement of all disputes. The 6.51m Facilitate Digital shares held by the vendors of Impact Data were cancelled in August 2009. A cash payment of \$385,000 (including repayment of a loan owned by Impact Data to Facilitate Digital) was made by the purchaser to Facilitate Digital, which was released from any previous obligations to make any further payments to the vendors of Impact Data. In addition, a deferred cash payment of \$650,000 is payable to Facilitate Digital within the next 5 years (and potentially sooner than 5 years depending on a number of trigger events) (included in "Other non-current assets" in the June 2009 Balance Sheet, discounted to \$0.357m). Overall, the company de-recognised \$13.3m in liabilities to the original vendors. Based on a share price of 6.5¢, the total value of the transaction to Facilitate Digital exceeded \$1.4m (NPV \$1.16m).

**Financials**

**Operations of the Continuing Underlying Business of Facilitate Digital – before listing and during FY08 and FY09**

The following table shows the gross revenues and profits for the years 2003 to 2007 for Facilitate (source Annual Report 2007, adjusted).

Year ended 30 June	2003	2004	2005	2006	2007	2008	2009
Revenue \$'000	466.4	647.7	1,439.5	2,550.6	3,166.9	3,514.4	6,383.1
Net (loss)/ profit \$'000	(41.0)	(135.0)	197.5	173.8	134.6 adj	-1,810 adj	-470 adj

Unfortunately, due to the complications introduced with Purus Energy and Impact Data, the financial record of the listed company does not show a clear picture of continuing operations of the current business. We believe that the revenues in 2007, 2008 and 2009 reflect the Facilitate business but that profitability was significantly impacted by the other business activities. An income tax credit of \$1.345m in '08 and charge of \$1.546m in '09 is also distorting. We have accordingly adjusted the figures above as we consider appropriate, where shown, 'adj', and used these in the page 1 table.

**Full Year 2009 Results**

Highlights of the continuing business included:

- 75% revenue growth from \$3.69m to \$6.48m;
  - Expenses, excluding depreciation and amortisation, rose 7.1%;
  - EBITDA rose from (\$1.53m) to \$0.78m and was positive in H2;
  - Pre-tax profit in Q4 was positive, as was cash flow;
- With revenue growth expected to continue, management is committed to further cost management and is targeting a net profit for FY10.

**Results for 1H10**

**Underlying operations continued to strengthen, with EBITDA of \$612,095 compared with a loss of (\$101,004) in 1H09. Revenue grew 35.5% on the pcp, from \$2.70m to \$3.66m. Revenue from overseas rose to 55.8% of the total revenue, compared with 29.6% in 1H09. The loss from continuing operations after income tax was substantially reduced to (\$120,636), and there was no**

**Facilitate Digital Holdings Limited**

**FAC**

**29 July 2010**

adjustment from discontinued operations. With business wins continuing through 2H10 (see Appendix 4C summary below) and a steady focus on cost containment, we see Facilitate Digital well placed to turn its maiden ASX-listed profit in FY11.

**Summarised Balance Sheet at 31 December 2009**

<i>Balance Sheet, \$'000</i>	<i>31.12.09</i>
Current Assets	
Cash	1,180
Receivables	<u>1,481</u>
Total	2,661
Non Current Assets	
Fixed Assets	179
Goodwill & Intangibles	3,185
Other	<u>475</u>
Total	<u>3,839</u>
Total Assets	<u>6,499</u>
Current Liabilities	
Trade & Other Payables	2,137
Provisions	<u>310</u>
Total	2,447
Non Current Liabilities	
Finance Lease Liabilities	63
Provisions	120
Total	<u>183</u>
Total Liabilities	<u>2,630</u>
 <b>Net Assets</b>	 <b><u>3,870</u></b>
Represented By	
Contributed Equity	13,298
Reserves	116
Retained Profits/(Losses)	<u>-9,544</u>
<b>Total Equity</b>	<b><u>3,870</u></b>

**Summarised Cash Flow – 1 July 2009 to 31 December 2009**

<i>Cash Flow, \$'000</i>	<i>31.12.09</i>
From Operations	
Receipts from Customers	3,689
Paid to Suppliers & Employees	-3,008
Capitalised Development Costs	-890
Finance Costs & Tax Paid	-6
<i>Net Cash Flow from Operations</i>	<i>-215</i>
From Investing	
Purchase of Fixed Assets	-41
Interest Received	9
<i>Net Cash Flow from Investing</i>	<i>-31</i>
Net increase in Cash & Equivalents	-246

**On 27 July 2010, Facilitate Digital released its Appendix 4C quarterly report for the three months to 30 June 2010, 4Q10, and the full year 2009-10.**

<i>Summarised:</i>			
	<i>\$'000</i>	<b>4Q10</b>	<b>FY10</b>
Receipts from customers	2,077	7,178	
Payments for:			
staff costs	(960)	(3,189)	
R & D	(444)	(1,771)	
Working capital	(650)	(2,744)	
Finance costs	<u>(32)</u>	<u>(33)</u>	
Net Operating Cash Flow (inc. other)	(31)	(631)	
Net Investing Cash Flow	-	(76)	
Net Proceeds from Share Issue	<u>716</u>	<u>716</u>	
Net Increase in Cash Held	<u>685</u>	<u>9</u>	
Cash at end of Quarter, 30.6.10	<u>1,435</u>	<u>1,435</u>	

It was noted that new business wins including Citibank APAC and MEC Germany are expected to contribute in 1H11. Deployment of Symphony for Group M APAC continues; rollout to China is also scheduled for 1H11.

**Shareholdings**

**Distribution of Security Holders at 28 July 2010**

<b>Number of Equity Securities</b>	<b>Number of Shareholders Ordinary Shares on Issue</b>	
1 – 5,000	113	292,503
5,001 – 10,000	137	1,128,696
10,001 – 100,000	227	8,537,615
100,001 +	93	120,568,777
<b>Total</b>	<b>570</b>	<b>130,527,591</b>

**Directors, Senior Management and Substantial Shareholders holdings**

**Major shareholders as at 28 July 2010**, in a total of 130, 527,591 shares, were:

EyeWonder Inc 15.31% Ben Dixon 12.78% Tarbate P/L 6.13% Dunsmore Noms. 6.03% Michael Lane 5.72%  
Ilan Lowe 5.33%, Republic Investment Management (Singapore) 5.08%

In September 2008, 3.33m shares were issued to EyeWonder at \$0.150. In February 2009, 12.92m shares were issued to EyeWonder, at 3.46¢. Proceeds were used for working capital.

Directors' share and option holdings at 16 September 2009 were respectively:

Charles Sweeney	7,996,095	5,249,105
Ilan Lowe	5,936,204	3,724,321
Ben Dixon	15,403,295	9,802,097

**Facilitate Digital Holdings Limited**

**FAC**

**29 July 2010**

Continuing senior management share and option holdings were respectively 895,250 and 2,328,755, held by five people. Of some 5.8m ESOP options, some at 10¢ and 12¢ may be exercised by 30 June 2011 and others at 20¢ by 2012 and 30¢ by 2013.

A 1 for 12 **Rights Issue** and Placement at 8¢ was completed in April 2010. New shares totaling \$256,421 were taken up, \$285,000 placed and \$218,905 allocated to underwriters, to raise \$760,326, from 9.5m shares.

Directors have advised their direct and indirect interests post the rights issue, including their subscriptions as underwriters:

Stuart Simson - 620,436 shares and 750,000 options.

Geoff Dixon – 1.6m (family trust) and 1.15m (Mrs Dixon) shares and 750,000 options.

Ben Dixon – 1.67m shares + indirect 15.0m shares plus 560,119 Initial Options at 21.1¢ expiring 10 April 2012 + 420,089 Performance Options plus indirect 5.0m Initial + 3.8m Performance options.

Ian Lowe - 757,196 shares + 372,421 options + indirect 6.2m shares + 3.4m options. Total 6.96m shares, or 5.33%.

Republic Investment Management P/L held 6.66m shares or 5.08%, having taken up 625,000 shares in the issue.

**Important Information**

**Confidential**

*This document is for the confidential use of the recipients only and is not to be reproduced without the authority of Intersuisse Limited.*

**Disclaimer**

*The persons involved in or responsible for the preparation and publication of this report believe that the information herein has been obtained from reliable sources and that any estimates, opinions, conclusions or recommendations are reasonably held at the time of compilation. No warranty is made as to the accuracy of the information in this document and, to the maximum extent permitted by law, Intersuisse Limited and its related entities, their respective directors and officers ("Intersuisse") disclaim all liability for any loss or damage which may be suffered by any recipient through relying on anything contained or omitted from this document.*

**General Advice**

*The content is of a general nature and is based on a consideration of the securities alone, and as such is conditional and must not be relied upon without advice from a securities adviser as to the appropriateness to you given your individual investment objectives, financial situation and particular needs. Whilst this document is based on information and assessments that are current at the date of publication, Intersuisse has no obligation to provide revised assessments in the event of changed circumstances.*

**Disclosure**

*Intersuisse, its directors and associates disclose a relevant interest in securities mentioned in this document. Intersuisse receives commission from dealing in securities. Intersuisse and Phillip Capital Pty Ltd (an associated company of Intersuisse Limited) seek to do business with companies Intersuisse researches. As a result, Intersuisse may have conflicts of interest that could affect the objectivity of research in this report.*

**Analyst Certification**

*The analyst responsible for this research report certifies that all of the views expressed reflect his personal views about the securities or the issuer; and that no part of his remuneration was, is, or will be, related to the recommendations or views expressed by him in the report.*

*Prepared by Peter Russell*

INTERSUISSE LIMITED ABN 14 002 918 247, AFSL 246827		Market Participant of the ASX Group	
Melbourne Office: Level 37, 530 Collins Street, Melbourne, Vic, Australia 3000		Sydney Office: Level 7, 5 Elizabeth Street, Sydney, NSW, Australia 2000	
Telephone:	(+613) 9629 8288	Telephone:	(+612) 9233 2100
Facsimile:	(+613) 9629 8882	Facsimile:	(+612) 9233 2117
Email:	suisse@intersuisse.com.au	Email:	sydney@intersuisse.com.au
Internet: <a href="http://www.intersuisse.com.au">http://www.intersuisse.com.au</a>			