

Zyber Holdings Limited

ZYB A\$0.031 TARGET PRICE A\$0.105 BUY

Zyber Secure Mobile Solutions Inc. develops a mobile computing platform that facilitates secure data sharing. The company offers LokBox Secure File Sync (SFS), an on-premise file sync appliance; and Mobile Touch Virtualization, a user interface that is integrated into SFS solution for use on touch centric mobile devices.

Russell Wright
+61 2 9226 0091
russell.wright@appsecurities.com.au



Asia Pacific
Prudential Securities

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Aiming to fill the big gap in the market for tools that help IT departments get a grip on their sensitive data

Zyber is a Canadian mobile security company based in Vancouver that is focused on securing mobile and cloud computing by developing and commercialising a centralised control platform.

Zyber was formerly known as LokBox Mobile Inc. and changed its name to Zyber Secure Mobile Solutions Inc. in July 2015.

Zyber allows businesses to transact, share data and collaborate across multiple devices and operating systems all within one, easy to install, secure centralised platform without leaving a digital footprint on anyone's device.

Despite a developing global market in mobile and cloud computing, providing security for such services continues to be an untapped market and a substantial opportunity.

Existing fragmented solutions such as Dropbox and OneDrive solve only parts of the problems or focus on specific devices or tasks.

No solution has yet been able to eliminate the negligent end user as a threat.

Zyber is attempting to capture this rare market opportunity and be the first solution to provide a completely secure platform from which to share and collaborate on sensitive data over open networks with anyone, on any device.

In late October 2015, the due diligence process relating to the proposed transaction (a reverse take-over) with Duorado Resources Limited was successfully completed.

Zyber Holdings Limited (ZYB) is the new name of Duorado Resources Limited (DUO) after DUO's 30 November AGM.

As part of the acquisition, the Company has reorganised its share base on 1-for-5 basis and has raised \$3m to facilitate growth and increase development resources in Canada and Australia to complete the build-out of Zyber's product line.

We value ZYB shares at A\$0.105/sh. Hence we are retaining our BUY recommendation. The valuation is underpinned by our DDM model and uses a cost of equity of 8%.

Disclaimer: APP Securities Pty Limited received during the past 12 month's compensation for financial and advisory services from the company, its parent or its wholly owned or majority owned subsidiary. APP Securities Pty Limited received fees for assisting the company raise capital in July 2015.

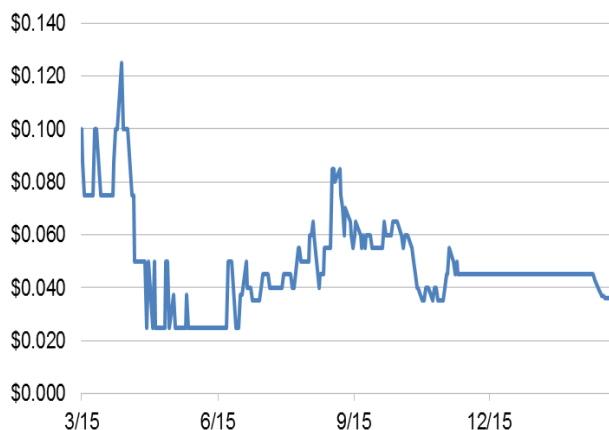
Company Data

Number of shares	228.7 M
Market capitalisation	\$7.3 M
Free Float (%)	N/A
12 month high/low	\$0.125/\$0.025
Average Daily Turnover (\$M)	0.2
% S&P/ASX 200	N/A
% All Ordinaries	N/A
DDM Ranking	6
ESG Score (Ranking)	N/A
GICS Industry Group	Non-Energy Minerals

Earnings Summary (AUD)

Year end June	2015A	2016F	2017F	2018F	2019F
Revenue (\$M)	0.0	3.5	9.7	15.5	22.2
EBITDA (\$M)	-3.8	-1.7	1.5	5.9	10.8
Reported NPAT (\$M)	-3.8	-1.7	1.0	4.1	7.6
Adjusted NPAT (\$M)	-3.8	-1.7	1.0	4.1	7.6
Reported EPS (¢)	-0.7	-0.3	0.2	0.8	1.5
Adjusted EPS (¢ - FD)	-0.7	-0.3	0.2	0.8	1.5
Adjusted EPS growth (%)	N/A	N/A	N/A	292.3%	84.3%
Adjusted P/E (x)	N/A	N/A	15.5	4.0	2.2
Dividend (¢/sh)	-	-	0.1	0.4	0.7
Gross yield (%)	-	-	3.2	12.6	23.2
Net yield (%)	-	-	3.2	12.6	23.2
ROIC (%)	-	-	23.2	67.7	84.4

Source: APPS



APP Securities contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

Note: Numbers displayed are a sub-set

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COMPANY OVERVIEW

Zyber is a Canadian mobile security company based in Vancouver that is focused on securing mobile and cloud computing by developing and commercialising a centralised control platform.

Zyber allows businesses to transact, share data and collaborate across multiple devices and operating systems all within one, easy to install secure centralised platform.

Zyber provides the ultimate in control and security without leaving a digital footprint on anyone's device. It is a secure file sharing platform that can deliver services in both online and offline modes while ensuring maximum security for data in motion.

Despite a developing global market in mobile and cloud computing, providing security for such services serves to be an untapped market and a substantial opportunity.

Existing fragmented solutions such as Dropbox and OneDrive solve only parts of the problem or focus on specific devices or tasks.

No solution has yet been able to eliminate the negligent end user as a threat.

CIO Insight just reported that 193 million personal records were compromised last year and that cybercriminals are increasingly targeting the medical and healthcare fields, which store valuable patient data that, once compromised, can't be reissued like a credit card.

Zyber believes this unfortunate trend will only worsen in 2016 until more secure products are installed in enterprises storing personal information.

Zyber strongly believes there is a growing demand and market opportunity to provide secure and ubiquitous file sharing solutions to companies around the world.

Zyber is attempting to capture this rare market opportunity and be the first solution to provide a completely secure platform from which to share and collaborate on sensitive data over open networks with anyone, on any device.

Zyber is also committed to providing the best, most secure file sharing software to the marketplace.

BACKGROUND

Zyber was formerly known as LokBox Mobile Inc. and changed its name to Zyber Secure Mobile Solutions Inc. in July 2015.

Resolution 12 of DUO's 30 November 2015 AGM intends to change DUO's name to Zyber Holdings Limited.

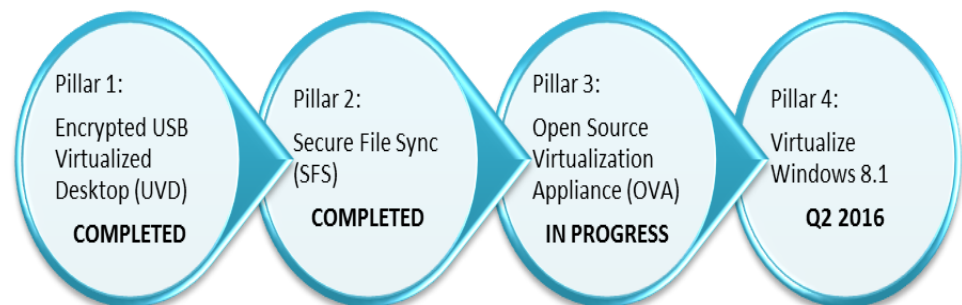


KEY OPERATIONAL DRIVERS

As a Canadian company domiciling its server appliances in Canada or anywhere else in the world besides the US, Zyber are not subject to the Patriot Act. This gives Zyber a competitive advantage over US based file-sharing companies.

Zyber has found that many international companies, especially those in the legal, finance and medical sectors have completely banned the use of Box and Dropbox but still want the file sharing capabilities for their employees.

Figure 1: The Platform:



Source: Zyber Presentation ASX

Encrypted USB Virtualized Desktop

Encrypted USB Virtualized Desktop is a standalone secure solution that creates a clean and secure computing “loop” for remote access to sensitive documents on enterprise networks by Centralized Server Management. It is applicable on any Operating System (OS) of choice (Windows or Mac) anytime, anywhere.

The enhanced security as a virtual Windows environment is run within a hardened Linux wrapper. It is a competitive product compared to current Centralized Virtual Desktop Infrastructure; has 2 to 3 times faster performance, has both reduced CAPEX for hardware and reduced OPEX for support.

Secure File Synchronization (SFS)

SFS appliance provides “Dropbox like” functionality but with enhanced security, performance and usability. The software allows large files to be synced between the server and device or between users quickly and securely through automatic encryption.

It is user friendly as the hardware for secure file sync can be anything that integrates with the client’s existing infrastructure.

On 18 January 2016, Zyber advised that it was on track to roll-out a new version of Zyber’s secure file sharing software in Q1 CY2016.

Virtual Appliance (OVA)

Zyber’s virtual appliance that utilises Personal Computer over Internet Protocol (PCoIP) will be a separate piece of hardware/software that bolts on to the SFS appliance.

This appliance will be custom built by Zyber, utilising PCoIP technology and Zyber will have their proprietary software baked in.

This software will integrate with the previous SFS appliance for existing customers but will also function as a standalone product for new clients where hardware integration issues are not a problem.

Mobile Touch virtualization (MTV)

Mobile Touch Virtualization is in the process of development, aimed to be released by Q2 2016. It is a virtualized application for Surface Pro & Android that supports most mobile devices. The application runs enterprise software in isolation from Apps on mobile desktop.

On November 13 ZYB's CEO advised: *"During the past three months, we have increased our investment in resources and grown our administrative and development staff to accelerate our aggressive product development road map.*

This follows the completion of our proof of concept trials with a large international retail chain and begins "phase 2" of development and expanded beta testing, further validating our product and platform offering.

Overall Marketing & Sales Strategy

In the short term, Zyber's product will be sold through direct sales approaching larger customers. The purpose of this approach is to introduce the product to clients and prove the efficiency and cost-effectiveness of the products. In the long term, Zyber's primary channel of distribution will be via Value Added Reseller in order to be exposed to a large potential customer base.

KEY GROWTH DRIVERS

57% of business enterprises in the US have banned current File Sync services; capturing this market will be a key driver for potential revenue growth. There is ample market opportunity for solutions that are domiciled in the countries in which they operate. These issues are of utmost importance to ensure compliance standards especially in financial, healthcare and retail spaces.

Many overseas ventures in the US decline using FileSync services due to the Patriot Act. SFS allows enterprises to take control of their data with a centralised control platform, allowing files to be kept behind the enterprises firewall.

Zyber can show a non-US corporate client how they can protect their data from the Patriot Act and aims to satisfy the demand of these enterprises via solutions for compliance and security through Zyber products. Zyber's solution can virtually eliminate the negligent end user as a threat to the security of mobile networks. If a negligent end user loses or otherwise compromises a device, it contains no data. The platform can be deployed behind an enterprise's firewall via Zyber's proprietary server appliances or on customers' own hardware, allowing end users secure access to banking, file sharing, email/SMS, online payments and virtual desktops.

Furthermore, Zyber products address individual and commercial concern about Zero Day, APT (Advanced Persistent Threat) attacks which typically feature highly sophisticated cyber techniques previously unavailable. Hackers now specifically target foreign agencies, businesses and/or individuals in order to steal information or disrupt operations. Instead of simply developing generic malware, hackers today launch 'manned missions' into enemy networks, remotely directing a campaign over weeks, months or years to worm their way from server to server, hunting for the target's "crown jewels".

This patient, expensive and sophisticated approach to cyber conflict has transformed both warfare and network security in general in recent years.

Not only are nations attacking businesses and individuals (e.g. the North Korean attack on Sony, or the Iranian Distributed Denial of Service [DDoS] attack on Bank of America), but these offensive skills and techniques have migrated into criminal organizations. Governments, hacktivists and criminals now target the "crown jewels" of any business, such as product designs, embarrassing emails, financial reports, employee data, and customer credit cards. Currently, the private sector is inadequately prepared for this threat.

As this demand has not been fully satisfied, Zyber has the advantage of being the First Mover. Feedback from customers and trial and error should allow the Company to keep a step ahead of future potential competitors with more developed and refined products.

On 18 January Zyber's CEO advised that:

- Zyber is planning to commence trials with five large enterprise companies in the next two months; and
- Zyber is looking at potential acquisitions in the cyber security space to diversify its revenue stream.

DETAILS OF THE ZYBER ACQUISITION

The agreement is subject to a number of condition precedents, including completion of due diligence, shareholder approval and re-quotations of the company's securities on the ASX.

Consideration

Dourado also has agreed to issue Exchangeable Shares that are exchangeable for one fully paid ordinary Dourado shares at the election of the holder of the Exchangeable Share when the following events have been settled:

Figure 2: Consideration for Zyber

<i>Consideration</i>	<i>Shares Issued</i>	<i>Expiry</i>
Upon the settlement of the Acquisition	700,000,000	
In the event that Zyber has commenced or has contracted product development and production testing "proof of concept" trials with a minimum of 5 enterprises/corporations who each have annualized revenues of at least \$100m and, of these, 2 of which have been converted into binding commercial contracts for purchase and use of a Zyber product	90,000,000	Within 12 months of settlements
In the event that Zyber generates gross revenue from sales of \$5m	90,000,000	Within 36 months of settlements
In the event that Zyber generates gross revenue from sales of \$10m	90,000,000	Within 60 months of settlements

Source: DUO Announcement ASX

ZYB CAPITAL STRUCTURE – POST ACQUISITION OF ZYBER (PRE CONSOLIDATION)

The ownership structure of the Company at completion of the acquisition is shown in the table below.

Figure 3: Summary of Securities as a result of the Acquisition

	<i>Shares</i>	<i>Options</i>
Current Issued Capital	586,235,041	54,045,306
Securities issued under Acquisition	700,000,000	3,900,000
Post-Acquisition	1,286,235,041	57,945,306

Note 1: The above table shows Dourado's pre and post-Acquisition capital structure. As part of the Acquisition process, Dourado may need to undertake a consolidation of its issued securities in order to comply with Chapters 1 and 2 of the ASX Listing Rules. If a consolidation of capital is required, the number of securities issued under the Acquisition will be adjusted in accordance with the consolidation ratio.

Note 2: In addition to the above securities, Dourado will issue Dourado Shares pursuant to the Capital Raising at a minimum issue price of \$0.02 per Dourado Share to raise A\$3 million.

Note 3: These shares are in the form of Exchangeable Shares in the capital of Newco, which may be exchanged for Dourado Shares on a one-for-one basis at the election of the holder. In addition to the initial consideration of 700,000,000 Exchangeable Shares, Dourado shall procure Newco to issue up to an additional 270,000,000 Exchangeable Shares upon the satisfaction of certain milestones as described in clause 2 of the summary of the Agreement in this announcement.

Source: Zyber Presentation ASX

ZYB PROFORMA CAPITAL STRUCTURE – POST CONSOLIDATION AND POST NOVEMBER'S \$3M EQUITY RAISE

Approval of Resolution 11 of the 30 November 2015 AGM allowed ZYB to raise up to \$6m.

Accordingly, on 15 January 2016 ZYB advised that the minimum subscription of \$3 million pursuant to the Prospectus dated 30 November 2015, had been achieved.

The proforma capital structure looks as follows:

Table 1: ZYB Capital structure post consolidation and post \$3m equity raising

	Shares	Options
Current issued capital	586,235,041	54,045,306
Unquoted Options expiring 30/11/18 Ex \$0.50		1,000,000
Unquoted Options expiring 31/12/15 Ex \$0.05		3,200,000
Unquoted Options expiring 1/12/17 Ex \$0.06		49,845,306
Post Consolidation Shares issued	117,247,008	
Shares Issued under acquisition (700,000,000)		
Post Consolidation Shares to be issued (Zyber Shareholders)	140,000,000	
Post Consolidation	257,247,008	10,809,061
Performance shares to be issued	30,000,000	
Consideration options (Zyber warrant holders)		29,920,000
Shares to be issued (raise) \$0.05	60,000,000	
Post raise	347,247,008	40,729,061

Source: APPS

KEY RISKS

The Company is subject to a number of risks and other factors that may impact its future performance, the market price at which its shares trade and the outcome of any investment in the company.

Business Risk Factors

Notion Risk	Overcoming security concerns caused by media outlets over the use of cloud computing – overcoming this will be pivotal in capturing the business enterprise market. ZYB must overcome the notion that cloud computing is unsecure if business enterprises are to ever use a mobile file sync services.
Competitive risk	A relatively new and untouched market, cloud computing is seen to be a market with large uncapped growth; because of this many firms are joining the market to capture potential revenues. This exposes the company to increasing domestic and global competition that could potentially adversely affect company's revenue.
Intellectual risk	There are not any material violations or intellectual property right, but in future there may third party companies attempting to challenge the Company's right. The Company may also be exposed to counterfeit products that the Company will not be fully aware of, and negatively affect the Company's reputation.
Political and legal risk	As the Company's main operating location will be in Canada, Australia and US, it may subjected to local laws and regulations. The Company's operation may be subject to any regulations that may hinder or delay the cash flow, incur increased fees and costs.
Security Risk	Although the company's product securely locks and protects the client's data and their database the company may be vulnerable to potential hacking, data loss, theft or corruption to some extent. This may cause services unavailability of a period of time while the system restores. In such event, disruption to the service and leakage of user data may act upon negatively towards the Company's profit.
Additional requirements for capital	If the company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs.
Existing Shareholders Shares	The potential future sale of shares that are subject to restriction agreements and escrow arrangements could adversely affect the price of shares in the company.

Investment Risk Factors

Stock Market Fluctuations	The shares are to be quoted on ASX, where their price may rise or fall in relation to the offer price.
Economic Conditions	Operating and financial performance influenced by a variety of general economic and business conditions.
Share market risk	Share market is a volatile market that is exposed to many domestic and foreign factors. It may be affected by but not limited to economic outlook, interest and inflation rates, currency fluctuation, changes in demand and supply,
Taxation Issues	There will be taxation consequences for every acquisition and disposal of Shares. The Company accepts no responsibility in regards to taxation consequences hence it is advised that all potential investments should obtain independent financial advice.

INDUSTRY SNAPSHOT

Overview

The computer and networking market continues to grow, fuelled by the growth in enterprise computing and the proliferation of mobile communications devices. The constant growth is a result of the growing virtualisation of servers leading to the adoption of newer and safe to use network security solutions. The use by enterprises has of course led to an increase in the use by small and medium sized businesses. The growth and the complexity of that growth of IT infrastructure is the major challenge faced by the security market and is adversely affecting the growth rate of the industry. The industry also has to meet the rising demand for mobility and this is increasing the necessity to improve security solutions from malware and cyberattacks, calling for complete and robust solutions to ensure safety for the complexity of networks.

Global Security Market

The IT market is continually growing, resulting in the rise of cloud computing, cyber security and mobility as dominant forces in the IT sector. Worldwide spending on information security will reach \$71.1 billion in 2014 and is forecast to grow to \$86 billion by 2016, with the data loss prevention segment recording the fastest growth at 18.9 percent.

With current trends, more and more businesses becoming integrated with cloud based services and with amounting pressures from regulators, cloud based security is becoming a lucrative market in the Information and Technology sector. Cloud based security is estimated to have a market value of \$2bn in 2015 and is expected to grow to over \$4bn in 2017.

The industry has existing solutions that solve parts of the problem or can only focus on a specific task. Securing mobile and cloud security is a substantial market opportunity. Lockbox will be the first Software as a service (SaaS) to eliminate the threat of a negligent end user.

The average cost of a single, successful cyber-attack is \$300K, and companies are attacked an average of 2 million times per week. Almost two-thirds of data breaches are caused by human errors and system glitches, while malicious or criminal attacks average about \$160 per compromised record. Healthcare experiences the most costly data breaches at \$233 per lost record, followed by financial services at \$215 and pharmaceuticals at \$207. In the United States over 600 million records containing sensitive personal information from about 4,000 security breaches have been stolen since January 2005.

LISTED COMPETITORS

ASX Code	Companies	Description
CVT	Covata	<p>Covata SDK is a services based platform that enables businesses to protect data wherever it resides, by integrating data-centric security. Covata can be implemented so that the keys to the protected data remain behind the organisation's firewall regardless of where the data resides. Encrypted data can be stored in the cloud and the organisation can retain exclusive ownership of the keys. The cloud storage provider never has access to the keys nor can they grant a third party access without your consent and knowledge.</p> <p>Covata SafeShare Application protects at the data level independent of application, data type, device or cloud storage provider. Enabling organisations to protect their data at the source eliminating protection gaps and ensuring continuity of data security, as well as complete visibility and control.</p>
IWG	iWebGate	<p>Virtual Services Platform (VSP)</p> <p>The patented technology behind the iWebGate platform securely provides a range of virtual network services in a single software platform. When deployed, a unique perimeter with highly scalable and dynamic services is seamlessly established between a primary network and all other networks. This software managed environment delivers a new centrepiece for connectivity ideal for data centres, cloud and on-premise networks. It mitigates network-based attacks using a combination of processes to deceive end-points, hide networks and/or apply security filters.</p> <p>Not limited to security, iWebGate's Virtual Services Platform (VSP) enables Partners to deliver a wide range of as-a-Service solutions across multiple networks, their affiliated users, data, applications and devices.</p> <ul style="list-style-type: none"> • Virtual Invisible Network (VIN) • Remote Desktop Services • Proxy Email, Web Services & File Sharing <p>iWebgate's virtualization is powered by VMWare and Citrix.</p>

BOARD OF DIRECTORS & MANAGEMENT

MR CLAY EPSTEIN, CEO/Managing Director

Prior to Zyber, Clay was the VP and Technical Manager at Bank of America responsible for the Bank's global Public Key Infrastructure and Cryptography Engineering Group. Previous to Bank of America, Clay was the CIO and Head of Operations at Venafi which provided a policy-based lifecycle management platform for encryption keys and SSL certificates. Clay was responsible for the IT infrastructure and Security, Customer Installations and Customer Support for all of Venafi's customers. Previously, Clay served as Head of eCommerce Technologies for Australia and New Zealand Banking Group (ANZ).

MR JASON TOMKINSON, Executive Director

Jason is a capital markets professional with 10+ years of experience in venture capital services, start-up capital, secondary offerings, marketing, prospecting, writing and evaluating business plans, risk assessment and market analysis. Prior to joining Zyber, he was a licensed investment advisor with public broker-dealers including Macquarie Group and Canaccord Genuity where he specialized in financing venture market new issues. Jason has a degree in economics from Simon Fraser University.

MR PETER WALL, Non-Executive Chairman

Peter a corporate lawyer and has been a Partner at Steinepreis Paganin (Perth based corporate law firm) since July 2005. Mr Wall graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.

Mr Wall has a wide range of experience in all forms of commercial and corporate law, with a particular focus on technology, equity capital markets and mergers and acquisitions. He also has significant experience in dealing in cross border transactions. Mr Wall is a director of a number of other ASX listed companies.

MR PAUL CALLANDER, Non-Executive Director

Paul has been involved in the technology industry for twenty five years in executive management positions building companies strategies, financing and investor relations, and establishing sales, marketing and services operations. Having initially spent ten years in Silicon Valley with the semiconductor industry, he then moved to Asia where he started his own software company, sold this to a U.S. organisation, listed on NASDAQ and continued as part of the executive management team running Asia Pacific

MS CHARLY DUFFY, Non-Executive Director

Charly is a qualified and practicing corporate and commercial lawyer with over eight years' of private practice experience in Western Australia, New South Wales and Victoria. Having worked with a broad range of clients, Ms Duffy brings extensive legal experience to the Board, with a particular focus on equity capital markets, mergers and acquisitions, corporate governance, initial public offerings, secondary capital raisings, business and share sale transactions, takeovers, Takeovers Panel proceedings, financing, ASIC and ASX compliance and all aspects of general corporate and commercial law. Ms Duffy is also currently completing the Graduate Diploma in Applied Corporate Governance at the Governance Institute of Australia.

Ms Duffy is the director and principal of SecPlus Corporate & Legal Services, a company secretarial and legal services business based in Melbourne, with clients in Perth, Sydney, Melbourne and Hong Kong. Given Ms Duffy's in-depth experience with ASX compliance, she acts as company secretary for a range of clients, many of which are either listed, or seeking a listing, on the ASX.

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APP Securities Pty Ltd acted as Joint Lead manager to the Zyber Holdings Ltd \$3m capital Raising as announced by the ASX on 30 November 2015.

Contact with **Zyber Holdings Limited** [previously Dourado Resources Limited] has been made during the preparation of this report for assistance with verification of facts.

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Monitor – Describes stocks whose company fundamentals and/or financials are being monitored, or for which no financial projections or opinions on the investment merits of the company are provided.

It is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

Terminal Value methodology - APP Securities' Discounted Cash Flow (DCF) valuation applies a terminal growth rate to the last forecast year's cash flow and discounts the amount using Weighted Average Cost of Capital (WACC). The Terminal Value is tested using ASX-listed company multiples. For resource companies there is no terminal value because cash flows are forecast to the end of mine life.

Valuation Methodology

APP Securities' methodology for assigning stock and credit ratings may include the following: market capitalisation, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of parts, net asset value, discounted dividend model (DDM), franking credits and return on equity (ROE) over the next 12 months. Listed credit securities analysis uses appropriate discount rates that reflect credit risk of both issuer and the underlying instrument.

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