

Active research delivers results



About the stock – Skydive the Beach

Skydive the Beach is a major provider of tandem skydives in Australia and more recently New Zealand.

The business was established in 1999 by the current CEO and skydiver Anthony Boucaut. He started with a single jump zone in North Wollongong, offering a uniquely scenic skydiving experience with jumpers landing on the beach. Skydive the Beach now operates in 18 geographically spread drop zones around Australia and New Zealand (post recent acquisition as discussed below) all based on having unique landing zones to add to the experience.

Skydive the Beach has a dominant 75% market share of tandem skydives in Australia post its acquisition of Australian Skydiving Group which was funded via the Initial Public Offering (IPO). The combination of the two businesses has improved the seasonality of the business with Australian Skydiving being located in warmer regions as opposed to Skydive the Beach in the cooler regions. Furthermore, operational synergies as well as organic growth will contribute to earnings growth over the next few years. The recent New Zealand acquisition further improves geographic diversity.

Skydive the Beach in brief:

Established: 1999

Listed on ASX: March 2015

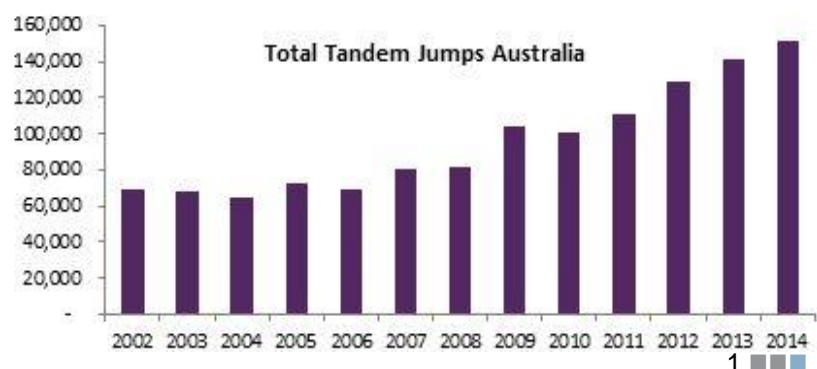
Market capitalisation: ~\$128 M

Sector: Consumer Services



Source: Skydive the Beach Full Year Results 2015 and Investor Presentation Oct 2015

As part of our due diligence we had discussions with the Australian Parachute Foundation and the analysis of the official tandem skydive numbers revealed a strong and growing demand for this recreation. This coupled with a growing tourism sector driven by a weak Australian Dollar (AUD) provides strong earnings momentum.



Perennial Value I Active research delivers results: Skydive the Beach Limited

Why we took and held a position in Skydive the Beach:

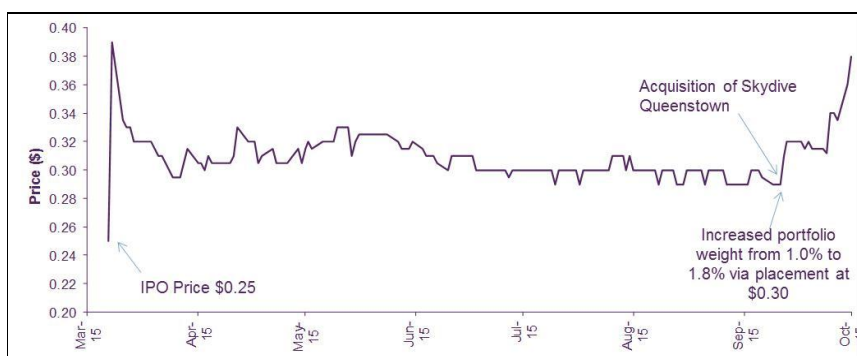
- ▶ No management sell down at IPO
- ▶ Good leverage to improvement in domestic tourism market
- ▶ Synergies from recent acquisitions

Investment Process

Skydive the Beach was added to the Perennial Value Smaller Companies Trust upon its Initial Public Offering (IPO) on the ASX in March 2015 at a price of 25 cents, with Perennial Value emerging as a substantial holder.

The Perennial Value team first came into contact with Skydive the Beach Management in December 2014 in pre-IPO discussions. What stood out was the operational and entrepreneurial skills of founder and CEO Anthony Boucaut, who at IPO, did not sell down any shares and furthermore, entered into a twenty-four month escrow period.

The Company floated at attractive valuations (12.5x FY16 P/E) with further accretion to this valuation from the recent New Zealand acquisition.



We experienced the unique beach landing zone first hand (photo below) and were impressed with the customer experience as well as the efficiency of the operation. Most pleasing was the high standard of safety with tandem instructors required to have completed 1,000 jumps before working with Skydive the Beach. These attributes combined with a strong tourism market are likely to provide solid investor returns going forward.

**Portfolio Managers
Grant Oshry and Andrew Smith**



Source: Portfolio Manager Andrew Smith trying out the service, Wollongong September 2015

Signatory of:



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