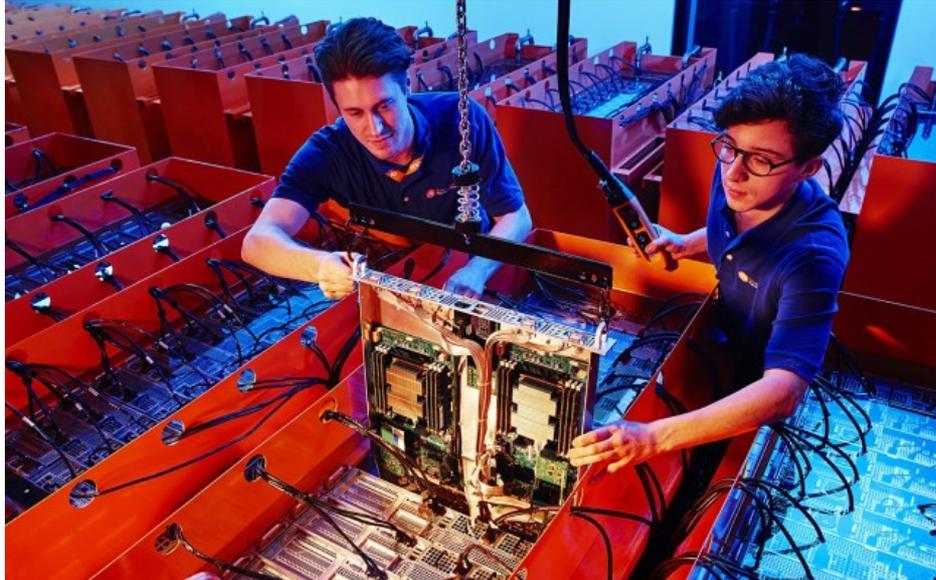


DUG Technology plans ASX float to bring supercomputing to new markets

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DUG Technology will have an indicative market capitalisation of \$134 million upon listing.

Australian supercomputer company DUG Technology has kicked off a \$26 million initial public offering (IPO) and aims to make its debut on the Australian Securities Exchange next month.

It is a considerable climb for a company that purportedly began in a Perth “back shed” in 2003 before going on to become an international business with more than 300 staff across four international offices.

DUG claims to own and operate some of the largest and “greenest” high performance supercomputers in the world.

It is currently focused on analysing seismic data and imaging for the oil and gas sector but has a plan to expand to other sectors requiring sizable supercomputing power – but first, it needs capital.

DUG aims to raise \$26 million through the issue of 19.26 million shares at \$1.35 each, implying a \$134 million market capitalisation upon listing.

Its IPO follows an \$18.2 million raising undertaken in February via a pre-IPO convertible note issue.

The offer opened on Monday and is due to close on 10 August with the company slated to start trading under the code ‘DUG’ later that month.

High performance computing

DUG provides high performance computing as a service (HPCaaS), scientific data analysis services and software solutions for the global technology and resource sectors.

In the last financial year, the company had more than 230 clients including some of the largest businesses in the world such as Shell, Chevron, Occidental Petroleum and Murphy Oil.

Australian listed oil and gas majors including Woodside (ASX: WPL) Santos (ASX: STO) and Beach Energy (ASX: BPT) are also recent clients.

Last year, DUG began broadening its customer network to other industries. One notable non-resource client is the International Centre for Radio Astronomy Research (ICRAR), which is working on the multi-billion-dollar, international Square Kilometre Array (SKA) radio astronomy project.

DUG's services can be delivered directly to its client or through its DUG McCloud platform, a collaborative cloud platform developed in 2018 that enables clients to "mix and match" the company's three main offerings with their own codes and expertise.

"The client may have certain, key, value adding algorithms they wish to apply to [seismic] data while it is being processed. Using the DUG McCloud platform, the client can 'splice' their algorithms into the DUG data processing flow," the company explained.

"Outside of the resource sector, other groups such as radio astronomy, military, biomedical research and aviation face similar challenges when it comes to the processing of large data sets which require significant [high performance computing] and software code optimisation," it added.

In a June announcement, DUG said its expansion into new markets included collaborations on bushfire and climate modelling projects and "working with scientists to find a new DNA test for COVID-19".

DUG's prospectus notes that progress has been achieved in its expansion plan with satisfied non-resource clients, although revenue is "not yet significant".

Recent deals

The latest news from the company is its expansion in the Americas thanks to new deals signed in June with Houston-based company Fairfield Geotechnologies, Mexican seismic company Geoprocesados and Dubai-headquartered marine acquisition services provider Polarcus.

The combined contracts are worth about US\$6.3 million (A\$9 million) and involve HPCaaS delivered under the DUG McCloud platform.

The Fairfield contract includes the reprocessing and imaging of about 13,000sq km of seismic data in the US Permian Basin, while the Geoprosados deal involves the setup of a new seismic processing and imaging centre in the Brazilian capital of Rio de Janeiro.

The Polarcus agreement comprises hardware and software for data processing and seismic acquisition quality control onboard a fleet of seismic vessels.

Polarcus also signed a three-year deal to use DUG McCloud to enhance its priority processing and imaging business.

Use of IPO funds

According to DUG, the purpose of the offer is to strengthen the company's balance sheet to facilitate further growth of its existing business, including growth and development of its products and services, as well as general working capital uses.

Its prospectus shows almost half of the IPO proceeds – \$12 million – has been earmarked for computers.

Another 15% of \$4 million will go toward storage and \$3 million each will be spent on network expansion and costs of the offer.

The final \$4 million making up the total \$26 million is budgeted for working capital costs.

DUG also noted that while the offer is in Australian dollars, the expenditure will be in US dollars, so the actual amount of proceeds used for each item will depend on the exchange rate at the time the funds are converted into US currency.

Board appointments

DUG is led by founder and managing director Matthew Lamont, a geophysics PhD who held senior technical positions at Woodside (ASX: WPL) and BHP (ASX: BHP)

Ahead of its IPO, the company strengthened its board with the appointment of former WA Chief Justice Wayne Martin as chairman and added iiNet founder Michael Malone as a director.

DUG also boasts Phil Schwan, former chief executive officer of IT firm CFS and lead designer of the Lustre data storage system, as chief technical officer and director, and Charles Ramden, a co-founder of Africa-focused unlisted oil and gas explorer Impact Oil & Gas, as a non-executive director.