



Monday 17th February 2020

Attention

Senate Legislation Economics Committee
Chair
Senator Slade Brockman
Deputy Chair
Kimberley Kitching

Secretariat
Senate Legislation Economics Committee

Delivered via email:

Inquiry into the Australian Business Growth Fund Bill 2019 [Provisions] - Submission

Introduction

Firstly, we wish to thank the Treasurer, the Hon Josh Frydenberg and the Australian Government, for the development of the Australian Business Growth Fund initiative and we call on all Senators to support the passage of this legislation.

We do believe such an innovative initiative will have a profound impact on SME organisations that are either developing new technologies in traditional industries or trying to develop new industries and value add supply chains but are struggling to attract confident and patient investors.

Why we support the BGF initiative

Titomic Limited is a proud Australian SME, at the forefront of additive manufacturing and advanced technology solutions for clients around the world.

More than this; we are inspired to help harness our technology discoveries, strong academic, science and global industry networks, to help deliver Australia's important bipartisan agenda of creating a new advanced technology industry for this country.

The world's economic development is in a tedious phase of uncertainty as we shift from many traditional industries and processes, into a new world of advanced digital technologies and developments that require very different resources and skill sets to those currently being offered.

Globally, Australia is recognised for its resources and early-stage technologies. However, it is widely accepted, that Australia only captures a very small part of the returns within the entire mining and manufacturing value chain from its natural resources. Right now, too many early stage technologies ultimately must shift overseas to truly be recognised, accepted and properly resourced and funded for success.

Within Australia, there are many siloed industries, financial support initiatives and human resource skill sets that should, and can, better collaborate and co-ordinate to leverage the scarce resources available.

BGF could be a global game changer for Australia's SME innovators

Right now, Australia is short-changing itself and precious taxpayer R&D funds are being spent on worthy but repetitive projects that are not delivering the large scale, nation building endeavours we know are possible and can be realised within the next two years.

This Business Growth Fund could be a game changer for Australia, along with other key strategies to change the way we value add to our existing resources and technologies.

Innovative SMEs who, like us, need investors who have patience beyond the usual 18 months attention span and invest for the long run as they do in the UK or the US.

When Titomic first listed on the ASX, we had just developed a patent on an additive manufacturing process using Titanium, developed with the CSIRO. It was an exciting opportunity but it took time to develop a skilled workforce, a warehouse, a national and global clientele and investors who shared our long term vision for us, as an innovative defence industry export business.

Before the IPO, Titomic was just three people. Now its 38 and, from our Victorian suburban hub, we develop and export the world's largest and fastest metal additive manufacturing systems and coating technologies.

But we – and many like us - can do more, a lot more with the support of investors, via this BGF.

Other considerations that command initiatives such as the BGF

- Start-up funding is VERY hard to attract.

Many early stage technology firms have to change angel funding or very early-stage IPO's on ASX to attract funding. The problem with this; is the inventors have to give away huge amounts of the potential returns to attract investment.

- If you IPO through the ASX to gain funding, the investing public expects returns within 12-18 months

The stock market expects immediate returns on a shoestring budget. It's just not plausible.

Titomic has been listed for 27 months and in that time, we have been running as fast as we can and have been back to the market twice since our IPO to raise further, significantly diluting funding, because we could not attract the investment the first time around at IPO.

- The time and cost involved for SMEs

To successfully develop and launch a new technology in a traditional market, or even a new market, the SME needs to:

- lodge patents for protection globally before you can commence
- lodge Trademarks for protection globally before you can commence
- use the funding to build the physical technology
- overcome significant barriers trying to enter an existing or new market (Advertising, Marketing, R&D, proof of concept)

- Many investment organisations have strict guidelines

The majority of investment funds in Australia are not allowed to invest in start-up technologies.

The rules governing the fund will have minimum market capitalisation levels where they just cannot invest in companies. 99/100 start-ups would be excluded.

The big banks and fund managers don't play in the start-up space at all, as the rules governing their funds don't let them invest (eg – CBA, ANZ, NAB, Westpac, Superannuation Funds, Pension Funds, All mid and top tier broking firms in Australia).

Australia's untapped potential

We know Australia could have generated \$13.5 Billion in revenue in 2018 alone, by adding just one more stage in production to our mineral sands prior to export. There is an enormous untapped potential in the research earths and metals of military importance that can, and must, be realised.

Australia needs to move its mindset from selling dirt and fossils at low value and to see and believe we are the most important player for the future sustainability resource management to the world and humanity.

Australia has the potential to be the global leader in advance technology by offering a unique value chains that is desired by the rest of the world and in respect of our neutrality.

We are working with the state governments of Victoria, NSW and SA to garner interest for \$7M titanium powder production plant in regional Australia with a two year payback period, a Net Present Value (NPV) of \$25M and a 120% Return on Asset.

The investment by one of these state governments will be a fraction of what we need to fully realise the potential of this plant. Imagine how this rate of return would profit all Australian taxpayers if this project was to be a destination investment for the BGF.

We believe taxpayers and innovative SMEs deserve to see better value from our advanced technology capability. We know this BGF initiative will be a great success for our economy if it is allowed to realised, as intended.

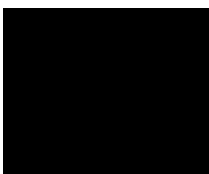
Conclusion

We hope all sides of politics will support the passage of this Bill. We have committed a commercial-in-confidence investor pack to demonstrate what a typical application for investment should look like.

We welcome this letter to be published and we have attached a perfect case study of the type of investment that would work under this proposed scheme. I would also like to extend an invitation to all members of the committee and secretariat to visit our advanced additive manufacturing plant in Mount Waverly.

Please do not hesitate to contact me on [REDACTED] if you require further information. I have also attached a summary of Titomic Pty Ltd.

Warm regards;



Jeffrey Lang
Managing Director
TITOMIC LIMITED