RaaS
Research as a Service

QANTM Intellectual Property Ltd

H1 FY24 Results

Strong H1 reflects organic growth and fiscal discipline

QANTM Intellectual Property Ltd (ASX:QIP) owns a group of intellectual property (IP) services businesses operating under the independent brands of Davies Collison Cave (DCC), FPA Patent Attorneys and Sortify.tm. It is a major player in the mature and regulated Australian patent, trade marks and IP legal services market with ~14.4% market share (H1 FY24) in its key patents segment (67% of service revenue) and a diversified mix of local and foreign clients. The company has reported a significantly better-than-forecast H1 FY24 result, driven by stronger revenue, productivity gains and cost improvements. Service revenue increased 9.2% to $56.8m and total revenue was up 8.1% to $74.2m, while underlying EBITDA lifted 25.7% to $17.3m, with the margin increasing to 30.6%, up from 26.5% a year ago. Underlying NPAT for the half gained 43.4% to $9.6m. QIP increased its interim dividend by 75% to 4.9cps. The company reconfirmed the guidance provided on January 23 that it expects its FY24 reported EPS to be between 20% and 25% higher than the analyst forecast for 8.1cps and for underlying EBITDA to be between 8% and 10% higher than the analyst forecast for $31m. With the H1 FY24 now incorporated into our model, we have upgraded our forecasts to the guided ranges. Our underlying EBITDA forecast for FY24 is now 9.7% higher and reported EPS is 23.3% greater than previously forecast. This has had the effect of increasing our valuation to $1.79/share (previously $1.65/share).

Business model

QIP has three core offerings: (1) Patent and trade mark attorney services; (2) IP-focused litigation and legal services; and (3) Legal technology services via Sortify's online trade marks registration platforms and tools. In H1 FY24, QIP produced $56.8m service revenue from a diverse mix of local and foreign clients (est. ~45%/55% revenue split) with no client accounting for >2%. It has sizeable US$ exposure (~50% of service charges vs. primarily A$ costs). QIP generates service charges from event-driven fixed fees (est. ~55%) and hourly rate fees (est. ~45%). Patent applications trigger various workstreams that extend over several years. On the cost side, employees account for ~77% of the total. QIP's two key areas of strategic focus are: (1) Completing its business transformation programme (tech modernisation and business simplification) and subsequently realising EBITDA margin improvements (low-30s remains the target versus 30.6% in H1 FY24); and (2) Geographical expansion via DCC/FPA (Asia focused – medium-to long-term aim for >25% of revenue from Asia vs. ~7.6% currently) and Sortify's trade marks platform.

Better than forecast result, 30%+ EBITDA margin attained

QIP has reported a better-than-forecast H1 FY24 result with a positive outlook. The reported 9.2% increase in service charges revenue to $56.8m was predominantly driven by forex tailwinds, rate increases offsetting a market share decline in patent applications, gains in trade mark applications and market share and a strong lift in legal and litigation services. The company attained its target for a low-30s EBITDA margin, posting a 30.6% underlying EBITDA margin, with the expectation that this will continue. We have upgraded our FY24f and FY25f forecasts with FY24f reflecting the company's guidance on where it expects underlying EBITDA and reported EPS to land. This has seen our underlying EBITDA forecast increased by 9.7% and reported EPS by 23.3%.

DCF valuation of $1.79/share (previously $1.65/share)

Our QIP DCF valuation has increased to $1.79/share (previously $1.65/share) as a result of our earnings upgrade. We apply a WACC of 10.2% incorporating a beta of 1.09 and a risk-free rate (RFR) of 4.0%. This implies EV/underlying EBITDA multiples of 8.0x for FY24f and 7.6x for FY25f. As a cross-reference, QIP is trading at FY24f EV/underlying EBITDA discount of 49% to its closest peer, the ASX-listed IP services group IPH Ltd (ASX:IPH), on 10.8x and a 25% discount to a group of three UK-listed legal services firms. In our view, continued EBITDA margin improvement and earnings growth should help close this valuation gap.

Historical earnings and RaaS estimates (in A$m unless otherwise stated)

Year end	Total revenue	EBITDA adj.*	EBITDA rep.	NPAT adj.	EPS adj.* (c)	EPS rep. (c)	P/E adj.* (x)	EV/EBITDA adj.* (x)
06/23a	137.0	28.5	23.4	14.7	10.6	5.3	11.2	6.6
06/24f	146.1	34.0	31.0	18.3	13.1	5.6	9.1	5.5
06/25f	150.9	35.8	35.0	19.9	14.2	10.0	8.4	5.1
06/26f	156.6	38.4	37.6	21.9	15.6	12.4	7.6	4.6

Sources: Company data; RaaS estimates for FY24f-FY25f; *Adjusted for non-recurring items

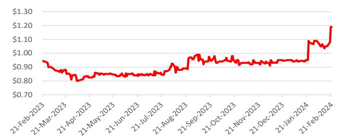
Commercial & Professional Services

22 February 2024

Share Details

ASX code	QIP
Share price (21-Feb)	$1.19
Market capitalisation	$166.7M
Shares on issue	140.1M
Net debt at 31-Dec-2023	$21.2M
Free float (inc. all vendors/ excl. non-insider vendors)	~55%/ ~74%

Share Performance (12 months)



Company Interview

QANTM IP RaaS Interview 21 February 2024

Interview Transcript 21 February 2024

Initiation Report

QANTM Intellectual Property (ASX:QIP) RaaS Initiation Report 18 April 2023

Upside Case

- Meets or exceeds target of low-30s EBITDA margins by FY26/FY27
- Uptake/expansion of Sortify's online trademarks platform exceeds expectations
- Earning-accretive M&A/expansion in Asia

Downside Case

- Lower-than-expected transformation programme benefits/EBITDA margins
- Prolonged economic downturn → R&D/ innovation spend may not be insulated
- Changes to regulation (e.g. local agents)

Catalysts

- Sustained progress with EBITDA margin expansion/transformation programme benefits
- Sustained operating and free cash-flow growth (as transformation programme spend ↓ and benefits ↑) leading to ↑ DPS and/or ↑ capital management opportunities
- Material accretive expansion via acquisition and/or organic growth

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H1 FY24 Results Analysis

QIP reported a better-than-forecast H1 FY24 result, with revenue from legal services outstripping our H1 forecasts and patents revenue performing a little ahead of our numbers. Trade mark revenue came in largely in line with our estimates, while lifting 7.0% on the previous corresponding period (pcp). Overall, service charge revenue was 9.2% ahead of the pcp and 4.2% above our estimates. Costs were 3.3% below our estimates and flat on the pcp, with employment costs on a statutory basis down 1.6% on the prior period. Underlying expenses were $41.5m, up 2.7% or $1.1m on the pcp with $0.5m related to an increase in technology expenses due to cloud hosting implementation and $0.5m to an investment in employee compensation. Underlying EBITDA of $17.3m was up 25.7% on H1 FY23 and 15.2% ahead of our estimate for $15.2m. The underlying EBITDA margin was 30.6%, hitting the company's target for low 30s. Underlying NPAT of $9.6m was a 43.4% improvement on the pcp and 21.7% ahead of our forecast. Exhibit 1 sets out the P&L for H1 FY24 versus H1 FY23 and our forecast for the half.

Exhibit 1: H1 FY24a versus H1 FY23a and RaaS forecasts (in A$m unless otherwise stated)

Year ending June 30	H1 FY23a	H1 FY24a	*% chg on H1 FY23*	RaaS fct H1 FY24	*% chg on RaaS fct*
Service charge revenue					
-Patents	35.4	37.8	6.6	37.1	2.0
-Trade marks	10.4	11.1	7.0	11.1	(0.1)
-Legal services	6.2	7.9	27.3	6.3	25.4
Service charge revenue total	**52.0**	**56.8**	**9.2**	**54.5**	**4.2**
Associate revenue	16.6	17.4	4.9	16.8	3.9
Total operating revenue	**68.6**	**74.2**	**8.1**	**71.3**	**4.2**
Other income	1.2	1.2	(0.8)	1.0	23.0
Recoverable expenses*	(15.7)	(16.6)	5.7	(15.8)	5.4
Net revenue	**54.1**	**58.8**	**8.7**	**56.4**	**4.1**
Operating costs					
- Employment	(32.7)	(32.3)	(1.6)	(31.0)	4.1
- Technology	(3.9)	(4.1)	5.0	(4.8)	(13.9)
- Other expenses	(6.0)	(6.2)	*3.5*	(8.4)	*(26.1)*
Total operating costs	**(42.8)**	**(42.8)**	**(0.0)**	**(44.2)**	**(3.3)**
EBITDA – statutory	11.2	16.0	42.5	12.2	31.0
Reported EBITDA margin (%) - on service charge revenue	21.6	28.2	30.5	22.5	25.7
Less: Non-recurring costs	2.5	1.3	(49.0)	2.8	(53.9)
EBITDA - underlying	**13.8**	**17.3**	**25.7**	**15.0**	**15.2**
Underlying EBITDA margin (%) - on service charge revenue	*26.5*	*30.6*	*15.5*	*27.6*	*10.9*
Underlying EBITDA - excl FX gain/loss	14.4	17.3	20.5	15.0	15.2
Depreciation and amortisation	(4.3)	(3.6)	(16.7)	(3.8)	(5.0)
EBIT (statutory)	6.9	12.4	79.6	8.4	47.3
Net interest	(1.8)	(1.7)	(8.0)	(1.5)	13.9
Net profit before tax	5.1	10.7	111.2	7.0	54.4
Income tax expense	(1.7)	(3.4)	99.1	(2.1)	61.1
Net profit after tax - statutory	3.4	7.4	117.2	4.9	51.5
Net profit after tax - underlying	**6.7**	**9.6**	**43.4**	**7.9**	**21.7**
EPS - Statutory (cents)	**2.5**	**5.3**	**114.2**	**3.5**	**51.7**
EPS – underlying	4.8	6.9	41.7	5.7	21.3
DPS (cents)	2.8	4.9	75.0	2.8	75.0
Dividend payout ratio	57.9%	71.4%		49.5%	
Key cash-flow statement figures					
Net operating cashflow	2.2	10.9	397.3	4.0	170.0
Capitalised tech dev spend & capex	(2.3)	(1.2)	(45.1)	(1.0)	27.7
Free cashflow	(0.1)	9.7	n.m.	3.1	214.9
Net debt at the end of the period	31.8	21.2	(33.3)	28.3	(25.1)

Source: QIP financial statements and announcements, and RaaS forecasts for H1 FY24; *Recoverable expenses are on-charged to clients and reflected in Associate charge revenue

Trade mark applications and litigation services drive revenue growth

QIP reported revenue gains across all three reporting divisions. Patents revenue, contributing 67% of revenue, increased 6.6% despite its market share declining to 14.4% from 16.5% in H1 FY23 in a market that overall has remained flat. QIP noted that patent applications in Australia decreased 13.8%, in Asia 4.7% and Rest of World by 21.5%. In contrast, trade mark applications for the group increased 12.8%, reflecting the continued growth of Sortify.tm and DCC's entry into the Hong Kong market. Australian trade mark applications, 53% of the group total, increased by 6.2% while New Zealand applications, 19% of the total, lifted 36.9%. Asian applications, currently 9% of the group total, gained 97.4%.

The company noted that while trade mark and patent filings can be a useful indicator for business performance, they account for 10-15% of total group revenue in any given period and are just one step in a multi-year process in the intellectual property cycle. That said, Sortify.tm's number one position in the Australian trade marks market, number two position in New Zealand, hovering close to the top 10 in the United Kingdom and growing presence in Asia is helping to drive revenue growth for the group, as is DCC's number two position in Australia and third position in New Zealand. QIP also benefited from strong growth in legal/litigation services, revenue from which was 27.3% higher due to a strong caseload and expanding team.

Operating costs were flat

QIP reported operating costs, including non-recurring costs, of $42.8m, flat on the pcp. Operating costs are predominantly employment costs which were $32.3m, or $32.1m adjusted for non-recurring costs, and up just 1.6% on the pcp on an adjusted basis. Other non-recurring costs were technology expenses of $0.9m relating to cloud hosting and cybersecurity and business acquisition costs of $0.2m. Operating expenses were 3.3% below our forecast with technology and other operating costs lower than our expectations.

Balance sheet strengthened with lower debt, improved receivables collection

QIP ended the half with a stronger balance sheet, with improved receivables collection reflected in lower days receivables (down 13 days on the pcp), and a $2.1m reduction in debtors even with 9.2% revenue growth. Borrowings reduced $6.1m to $27.4m on the pcp while cash and cash equivalents gained $4.5m to $6.2m year-on-year. Net debt to underlying EBITDA almost halved in H1 FY24 to 1.2 from 2.3 in H1 FY23.

Strong cash conversion evident

The company delivered a stronger cash conversion rate of 87% in H1 FY24, up from 32% in H1 FY23 demonstrating the financial disciplines in cash collections which saw working capital reduce to $1.0m in the period, compared with $6.2m in the same period a year ago. Capex declined to $1.2m from $2.3m a year before due to a reduction in property fit-out costs. The company also opted to pay $3.0m off its working capital facility, resulting to total net borrowing repayments of $4.0m, versus $1.9m in net borrowing proceeds a year before.

Earnings Adjustments

We have adjusted our FY24f forecasts to bring them in line with the company's reiterated guidance and this has resulted in a 9.7% increase in underlying EBITDA and a 23.3% upgrade to reported EPS. Our forecasts are now sitting at the upper end of the company's guidance. On January, the company said it expects its FY24 reported EPS to be between 20% and 25% higher than the analyst forecast for 8.1cps and for underlying EBITDA to be between 8% and 10% higher than the analyst forecast for $31m. For underlying EBITDA, this implied a range of $33.5m to $34.1m and for reported EPS, the guidance implied a range from $0.097/share to $0.101/share. As the following Exhibit highlights, our FY24f underlying EBITDA estimate is now $34m and reported EPS is $0.10/share. It is also worth highlighting that we have upgraded our estimates for the underlying EBITDA margin to the low 30s, with FY24 now expected to fall at 30.9% and FY25 at 31.4%.

Exhibit 2: Earnings adjustment (in A$m unless otherwise stated)

Year ending June 30	FY24 old	FY24 new	% chg	FY25 old	FY25 new	% chg
Service charge revenue						
-Patents	72.2	72.9	1.0	75.1	75.8	1.0
-Trade marks	23.0	23.0	0.0	24.6	25.2	2.5
-Legal services	12.6	14.2	12.7	12.8	13.1	2.5
Service charge revenue total	**107.8**	**110.1**	**2.2**	**112.4**	**114.1**	**1.5**
Associate revenue	34.6	35.9	3.8	35.6	36.7	3.1
Total operating revenue	**142.4**	**146.1**	**2.6**	**148.1**	**150.9**	**1.9**
Other income	2.1	2.1	0.0	2.2	2.2	0.0
Recoverable expenses*	(32.5)	(33.8)	3.8	(33.6)	(34.6)	3.1
Net revenue	**112.0**	**114.4**	**2.1**	**116.7**	**118.4**	**1.5**
Operating costs						
- Employment	(62.0)	(63.3)	2.1	(63.7)	(63.8)	0.1
- Technology	(9.1)	(8.5)	(7.3)	(7.3)	(7.4)	1.3
- Occupancy	(2.7)	(2.7)	0.0	(2.4)	(2.5)	5.6
- Other expenses	(11.3)	(9.0)	(19.8)	(10.2)	(9.7)	(5.1)
Total operating costs	**(85.0)**	**(83.4)**	**(1.9)**	**(83.7)**	**(83.4)**	**(0.3)**
EBITDA - statutory	27.0	31.0	14.9	33.0	35.0	6.1
Reported EBITDA margin (%) - on service charge revenue	25.0	28.1	12.5	29.4	30.7	4.5
Less: Non-recurring costs	(4.0)	(3.0)	(25.0)	(0.8)	(0.8)	0.0
EBITDA - underlying	**31.0**	**34.0**	**9.7**	**33.8**	**35.8**	**5.9**
Underlying EBITDA margin (%) - on service charge revenue	*28.7*	*30.9*	*7.4*	*30.1*	*31.4*	*4.3*
Underlying EBITDA - excl FX gain/loss	31.0	34.0	9.7	33.8	35.8	5.9
Depreciation and amortisation	(7.8)	(7.7)	(0.9)	(7.5)	(7.5)	0.0
EBIT (statutory)	19.2	23.3	21.3	25.6	27.6	7.8
Net interest	(3.0)	(3.1)	2.7	(3.0)	(2.7)	(8.7)
Net profit before tax	16.2	20.2	24.8	22.6	24.8	10.0
Income tax expense	(4.9)	(6.2)	27.2	(6.8)	(7.5)	10.0
Net profit after tax - statutory	11.3	14.0	23.7	15.8	17.4	10.0
Net profit after tax - underlying	**16.2**	**18.3**	**13.0**	**18.4**	**19.9**	**8.6**
EPS - statutory (cents)	**8.1**	**10.0**	**23.3**	**11.3**	**12.4**	**9.6**
EPS - underlying	11.6	13.1	12.6	13.1	14.2	8.2

Source: RaaS estimates

Peer Comparison

As we have previously identified, QIP's closest peer is IPH Ltd. IPH continues to trade at a significant premium to QIP, 109% based on historical EV/EBITDA multiples (IPH on 13.8x, QIP on 6.6x) and 96% based on forward EV/EBITDA multiples (IPH on 10.8x, QIP on 5.5x).

We have also identified three UK listed peers in the legal services sector which we see as relevant peers for QIP both in terms of business model and relative market capitalisation. The peers are trading on an historical EV/EBITDA median multiple of 11.3x and forward median multiple of 7.3x, which puts QIP at a discount of 42% on historical EV/EBITDA and 25% discount on forward EV/EBITDA estimates.

Exhibit 3: Peer comparison

Company	Code	Market capitalisation (M)	EV/EBITDA (one-year trailing)	EV/EBITDA (one-year forward)
IPH Ltd	IPH	AUD 1,748	13.8	10.8
Gateley (Holdings) PLC	GTLY.L	£274	11.3	7.3
Keystone Law Group PLC	KEYS.L	£136	13.8	15.0
Knights Group Holdings PLC	KGHK.L	£73	5.3	4.9
Median UK peers			**11.3**	**7.3**

Source: LSEG, prices at 19 February 2024, RaaS analysis

DCF Valuation

Using the discounted cashflow methodology, our valuation of QIP is $1.79/share (previously $1.65/share) having updated our forecasts for H1 FY24 actuals and incorporating the company's guidance for FY24 reported EPS and underling EBITDA. This implies an underlying EV/EBITDA multiple of 8.0x and a P/E multiple of 13.7x for FY24f.

We view DCF as an appropriate methodology for valuing QIP at this point in its lifecycle given its current operations are largely mature (and in a regulated industry), it has a sound earnings and cash flow history and trajectory (on our forecasts), and its capex requirements are relatively low. This valuation also captures the forecast EBITDA margin expansion (to ~30% from H1 FY24a ongoing) as the heightened spend associated with the current business transformation programme draws to a close and the envisaged gains (primarily staff productivity based) ensue.

The implied underlying EV/EBITDA multiples appear reasonable relative to IPH's 10.8x trading multiple (i.e. 26% discount to IPH) – but are higher than the ~7.7x that we estimate is implied by IPH's Smart & Biggar transaction (after adjusting for a 35% control premium)[1] and the 7.3x average forward trading multiple of the three UK-listed legal services firms.

Exhibit 4: DCF valuation

Parameters	Outcome
Discount rate / WACC*	10.2%
Beta**	1.09
Terminal growth rate assumption	2.2%
Sum of PV (10-year forecast period) ($M)	141.7
PV of terminal value ($M)	130.8
PV of enterprise ($M)	**272.5**
Net debt – 31 Dec 2023 ($M)	21.2
Net valuation – equity ($M)	**251.3**
No. of shares on issue – 31 Dec 2023 (M)	140.1
NPV/share	**$1.79**

Source: RaaS estimates, LSEG; *Discount rate incorporates risk-free rate (RfR) of 4.0% and an equity risk premium of 6.5%; **vs. LSEG's observed beta of 0.74x based on its five-year monthly beta methodology

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RaaS Research as a Service

Exhibit 5: Financial Summary

QANTM Intellectual Property Ltd					
Profit and Loss (A$m)					
Y/E 30 June	**FY22a**	**FY23a**	**FY24f**	**FY25f**	**FY26f**
Service charge revenue	96.6	103.8	110.1	114.1	119.0
Associate revenue	30.7	33.2	35.9	36.7	37.6
Total revenue	**127.3**	**137.0**	**146.1**	**150.9**	**156.6**
Other income	3.2	2.5	2.1	2.2	2.2
Recoverable expenses	(29.3)	(31.1)	(33.8)	(34.6)	(36.1)
Net revenue	101.2	108.3	114.4	118.4	122.6
EBITDA - statutory	**21.6**	**23.4**	**31.0**	**35.0**	**37.6**
EBITDA - underlying	**26.3**	**28.5**	**34.0**	**35.8**	**38.4**
Depreciation	(1.1)	(1.0)	(1.1)	(0.9)	(1.1)
Amort (intang & leases)	(7.1)	(6.8)	(6.7)	(6.6)	(6.6)
EBIT	**13.4**	**15.6**	**23.3**	**27.6**	**29.8**
Interest	(2.4)	(3.6)	(3.1)	(2.7)	(2.2)
Tax	(3.9)	(4.2)	(6.2)	(7.5)	(8.3)
NPAT - statutory	**7.1**	**7.9**	**14.0**	**17.4**	**19.3**
NPAT - underlying	12.8	14.7	18.3	19.9	21.9
Cash flow (A$m)					
Y/E 30 June	**FY22a**	**FY23f**	**FY24f**	**FY25f**	**FY26f**
EBITDA - statutory	21.6	23.4	31.0	35.0	37.6
Interest	(1.7)	(2.9)	(2.4)	(2.1)	(1.7)
Tax payments	(4.6)	(3.9)	(5.8)	(7.5)	(8.3)
Working capital chgs	(3.1)	(0.3)	(1.8)	(2.7)	(2.2)
Operating cash flow	**12.2**	**16.3**	**21.0**	**22.8**	**25.4**
Capex	(0.5)	(2.1)	(1.1)	(0.8)	(0.8)
Capitalised dev costs	(0.4)	(0.6)	(0.5)	(0.6)	(0.6)
Free cash flow	**11.3**	**13.6**	**19.4**	**21.4**	**24.0**
Acquisitions	(6.7)	(0.5)	(0.5)	0.0	0.0
Acq'n related costs	(1.1)	(0.1)	0.0	0.0	0.0
Cash flow pre financing	3.5	13.0	18.9	21.4	24.0
Equity	0.0	0.0	0.0	0.0	0.0
Borrowings (net)	8.2	0.4	(4.0)	(3.5)	(2.0)
Other financing (leases)	(5.0)	(4.1)	(3.8)	(3.8)	(3.7)
Dividends paid	(8.7)	(8.7)	(11.7)	(12.2)	(14.2)
Net cash flow	**(2.1)**	**0.6**	**(0.6)**	**1.9**	**4.0**
Balance sheet (A$m)					
Y/E 30 June	**FY22a**	**FY23a**	**FY24f**	**FY25f**	**FY26f**
Cash	7.4	8.0	7.1	9.4	13.4
Accounts receivable	38.2	41.4	43.4	45.3	47.0
Other current assets	2.6	2.7	3.3	3.3	3.3
Total current assets	*48.2*	*52.2*	*53.8*	*57.9*	*63.7*
PPE	1.6	2.8	2.2	2.1	1.8
Goodwill	54.8	54.4	54.4	54.4	54.4
Intangibles	29.4	26.5	22.2	19.4	16.8
Other non current assets	8.7	9.9	10.9	9.7	7.5
Total non current assets	*94.6*	*93.5*	*89.7*	*85.6*	*80.5*
Total Assets	**142.8**	**145.7**	**143.4**	**143.5**	**144.2**
Accounts payable	14.1	15.7	15.4	15.5	15.9
Current debt	3.6	3.0	2.9	2.9	2.9
Lease liabilities (current)	3.6	3.3	3.7	3.7	3.7
Other curr liab (inc AL prov)	9.5	11.2	11.1	11.1	11.1
Total current liabilities	*30.9*	*33.2*	*33.0*	*33.2*	*33.5*
Non-current debt	27.6	29.2	24.5	21.0	19.0
Other non current liabs	12.4	11.0	10.9	9.1	6.4
Total long term liabilities	*39.9*	*40.2*	*35.4*	*30.1*	*25.4*
Total Liabilities	**70.8**	**73.4**	**68.4**	**63.3**	**58.9**
Net Assets	**71.9**	**72.3**	**75.0**	**80.3**	**85.3**
Share capital	298.9	300.1	301.7	301.7	301.7
Retained earnings	(3.4)	(4.2)	(2.4)	2.9	8.0
Reserves	(223.2)	(223.2)	(224.3)	(224.3)	(224.3)
Minorities	(0.4)	(0.4)	0.0	0.0	0.0
Total Shareholder funds	**71.9**	**72.3**	**75.0**	**80.3**	**85.3**

Share price (21 February 2024)						A$	1.190
Half yearly (A$m)	**H1 FY22a**	**H2 FY22a**	**H1 FY23a**	**H2 FY23a**	**H1 FY24a**		**H2 FY24f**
Service charge revenue	48.9	47.7	52.0	51.8	56.8		53.3
EBITDA - statutory	10.5	11.1	11.2	12.2	16.0		14.8
EBITDA - underlying	**12.8**	**13.5**	**13.8**	**14.7**	**17.3**		**16.5**
EBIT - statutory	6.2	7.2	6.9	8.7	12.4		10.8
NPAT - statutory	**3.4**	**3.7**	**3.4**	**5.2**	**7.4**		**6.6**
NPAT - underlying	6.5	6.3	6.7	8.0	9.6		8.7
EPS (reported)	2.5	2.8	2.5	3.2	5.3		4.7
EPS (underlying)	4.7	4.6	4.8	5.8	6.9		6.2
Dividend (cps)	3.0	3.5	2.8	3.5	4.9		3.5
Operating cash flow	5.2	6.6	2.2	14.1	10.9		10.1
Free Cash flow	4.6	6.2	(0.1)	13.7	9.7		9.8
Segmented (half yearly)	**H1 FY22a**	**H2 FY22a**	**H1 FY23a**	**H2 FY23f**	**H1 FY24a**		**H2 FY24f**
Patents	33.5	31.5	35.4	34.5	37.8		35.1
Trade Marks	9.5	10.3	10.4	11.1	11.1		11.9
Legal Services	5.7	6.0	6.2	6.2	7.9		6.3
Service charge revenue	**48.9**	**47.7**	**52.0**	**51.8**	**56.8**		**53.3**
Associate revenue	13.8	16.9	16.6	16.6	17.4		18.5
Total revenue	**62.7**	**64.6**	**68.6**	**68.3**	**74.2**		**71.8**
Other income	1.1	2.1	1.2	1.4	1.2		1.2
Recoverable expenses	(13.1)	(16.1)	(15.7)	(15.4)	(16.6)		(17.4)
Net revenue	50.6	50.6	54.1	54.3	58.8		55.6
Employment	(31.3)	(28.9)	(32.7)	(29.2)	(32.3)		(31.0)
Technology	(3.7)	(4.4)	(3.9)	(4.8)	(4.1)		(4.3)
Occupancy	(1.1)	(1.0)	(0.9)	(1.4)	(1.4)		(1.2)
Other costs	(4.1)	(5.2)	(5.3)	(6.2)	(4.9)		(4.2)
EBITDA - statutory	**10.5**	**11.1**	**11.2**	**12.7**	**16.0**		**14.8**
EBITDA - underlying	12.8	13.5	13.8	14.7	17.3		16.5
Growth, Margins, Leverage, Returns		**FY22a**	**FY23a**	**FY24f**	**FY25f**		**FY26f**
Service charge rev growth		4.6%	7.4%	6.1%	3.6%		4.3%
Total revenue growth		6.9%	7.6%	6.7%	3.3%		3.8%
EBITDA margin (underly/service charge)		27.2%	27.4%	30.9%	31.4%		32.3%
EBITDA margin (underlying/total rev)		20.7%	20.8%	23.3%	23.7%		24.5%
EBITDA margin (stat/service charge)		22.3%	22.5%	28.1%	30.7%		31.6%
EBIT margin (stat/total revenue)		10.5%	11.4%	15.9%	18.3%		19.0%
NPAT margin (stat/service charge)		7.4%	7.6%	12.7%	15.2%		16.2%
Net Debt		23.8	24.2	20.4	14.6		8.5
Net debt/underlying EBITDA (x)		0.9	0.9	0.6	0.4		0.2
ND/ND+Equity (%)		24.8%	25.1%	21.4%	15.4%		9.1%
EBIT interest cover (x)		5.7	4.3	7.6	10.2		13.5
ROA		12.4%	10.8%	16.1%	19.2%		20.7%
ROE		9.9%	10.9%	19.0%	22.4%		23.3%
NTA (per share)		(9.0)	(6.2)	(1.2)	4.6		10.0
Working capital		24.0	25.7	28.0	29.7		31.1
WC/Sales (%)		18.9%	18.8%	19.2%	19.7%		19.9%
Pricing		**FY22a**	**FY23a**	**FY24f**	**FY25f**		**FY26f**
No of shares (y/e)	(m)	137	139	140	140		141
Weighted Av Dil Shares	(m)	139	139	142	142		141
EPS (statutory)	cps	5.3	5.6	10.0	12.4		13.7
EPS (underlying)	cps	9.3	10.6	13.1	14.2		15.6
EPS growth (statutory)		(31.1%)	6.6%	77.5%	23.8%		10.6%
EPS growth (underlying)		(6.0%)	13.6%	23.3%	8.7%		9.5%
PE (x) - statutory		22.5	21.1	11.9	9.6		8.7
PE (x) - underlying		12.8	11.2	9.1	8.4		7.6
DPS	cps	6.5	6.3	8.4	9.7		10.6
DPS Growth		(12%)	(3%)	33%	15%		9%
Dividend yield		5.5%	5.3%	7.1%	8.2%		8.9%
Dividend imputation		100%	100%	100%	100%		100%
EV/EBITDA (x) - underlying		7.1	6.6	5.5	5.1		4.6
FCF/Share	cps	8.1	9.8	13.7	15.0		17.0
Price/FCF share (x)		14.6	12.2	8.7	7.9		7.0
Free cash flow Yield		6.8%	8.2%	11.5%	12.6%		14.3%

Sources: Company data, RaaS Advisory estimates

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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