

### Margin expansion delivered in Q1, ahead of forecast

Pureprofile Ltd (ASX:PPL) is a data analytics, consumer insights and media company underpinned by proprietary technology, servicing business decision makers in brands and media companies as well as market researchers. Pureprofile has reported a 16% lift in revenue from continuing businesses for Q1 FY24 to \$12.3m and a 36% jump in underlying EBITDA excluding discontinued businesses to \$1.5m. The EBITDA margin increased to 12% in Q1 FY24 compared with a 10% margin in the same quarter a year ago. Platform revenue, which is high margin and recurring in nature, increased 118% to \$1.8m and looks to be tracking ahead of our H1 FY24 forecasts. Q2 is traditionally the seasonally strongest quarter for Pureprofile. Separately the company announced a new cash-based short-term incentive (STI) remuneration programme for its senior management team which is expected to be \$1.05m in FY24. Historically we have not included non-cash, share-based payments in our adjusted EBITDA, NPAT or EPS calculation. The cash-based STI has had the effect of reducing our FY24 underlying EBITDA by 20% to \$4.3m and assuming the same STI pool is applied in FY25f, we have reduced our FY25f EBITDA forecast by 14.7% to \$6.4m. Our base-case valuation has trimmed a little to \$0.095/share (previously \$0.10/share), fully diluted.

### Business model

Pureprofile operates a global research panel. It generates revenue from providing data analytics and consumer insights derived from its actively managed panels of digital members accessed through its proprietary technology platform. In a world where privacy is increasingly valued, consumer insights and profiles generated through online panels allow businesses to gain the ability to segment, target and engage with their audiences without consumer privacy issues. In exchange, consumers are directly financially rewarded for their information and responses, and indirectly through more relevant and personalised content.

### Data insights focus is translating into better margins

PPL reported a 16% increase in Q1 FY24 revenue from continuing businesses to \$12.3m, a quarterly record for the company, with the Australian and New Zealand business contributing \$7.1m, an increase of 6% on the pcp, and the Rest of the World (RoW) lifting 34% to \$5.2m. Both divisions benefitted from a 118% increase in platform revenue to \$1.8m. Q1 EBITDA, excluding significant items, lifted 36% to \$1.5m, again a quarterly record for the company. The EBITDA margin increased to 12% from 10% on the pcp, demonstrating the benefit of the refocus on the data insights business. Assuming Q2 does the same, Pureprofile looks to be tracking a little ahead of our H1 forecast for revenue of \$23.7m. We have adjusted our forecasts to reflect the announced STI cash payment for FY24, which has had the effect of reducing our EBITDA forecast by 20% to \$4.3m in FY24, and, assuming the same STI in FY25, EBITDA has been trimmed by 15% to \$6.4m. Our revenue forecasts remain unchanged.

### Base-case DCF valuation of \$0.095/share, fully diluted

We use the discounted cash-flow methodology to value PPL and arrive at a fully diluted DCF of \$0.095/share, based on a WACC of 13.6% (beta 1.5, terminal growth rate 2.2%). Our terminal value is \$0.048/share within our \$0.095/share valuation. On the current share count of 1,107.0m, our base-case valuation is \$0.109/share. In our view, continued demonstration of strong revenue growth, a sustained return to profitability, and further evidence of EBITDA margin expansion should underpin PPL's share price in the near term.

### Earnings history and RaaS' estimates (in A\$m unless otherwise stated)

Year end	Revenue	Gross profit	EBITDA adj.*	NPAT adj.*	EPS adj.*	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/22a	35.5	18.3	3.3	0.2	0.02	0.8	8.3	n.a
06/23a	43.7	23.0	4.7	0.7	0.07	0.6	6.0	41.4
06/24f	49.9	25.6	4.3	1.0	0.09	0.6	6.4	29.8
06/25f	56.8	29.4	6.4	3.0	0.27	0.5	4.1	10.0

Source: RaaS estimates for FY24f and FY25f; Company data for historical earnings; \*Adjusted for one-time and non-cash items

### Data Analytics

8 November 2023

#### Share Details

ASX code	PPL
Share price (7-Nov)	\$0.027
Market capitalisation	\$29.9M
Shares on issue	1,107.0M
Net cash 30-Jun-2023	\$1.7M
Free float	~79.2%

#### Share Performance (12 months)



#### Upside Case

- Growing share of revenue generated outside Australia in substantially larger markets
- Senior management team is highly experienced in building data insights businesses
- ~90% of revenue from repeat business

#### Downside Case

- Market research industry growth rates underperform forecast expectations
- Competing with multinationals for business
- Investors likely to be leary of acquisitions

#### Catalysts

- Expanding operating profitability to EPS growth
- Continued EBITDA margin expansion

#### Company Interview

[Pureprofile \(ASX:PPL\) RaaS Interview 7 Sept 2023](#)

#### Board and Management

Linda Jenkinson	Non-Executive Chair
Albert Hitchcock	Non-Executive Director
Liz Smith	Non-Executive Director
Mark Heeley	Non-Executive Director
Martin Filz	Managing Director/CEO
Melinda Sheppard	COO/CFO

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\*The analyst owns shares

## Q1 FY24 Result

Pureprofile has delivered a strong Q1 result with revenue from continuing businesses jumping 16% to \$12.3m. EBITDA, excluding significant items, lifted 36% to \$.5m, a record quarterly result for the company. The EBITDA margin from continuing businesses was 12% against a 10% margin a year ago, demonstrating the benefit of focusing on the data insights business. The company noted that it had experienced a 6% increase in clients to 809 in the 12 months to September 30 and a 12% uplift in project volumes.

Revenue from outside ANZ grew strongly, up 34% to \$5.2m, which contributed to more than 42% of total revenue, up from 37% in Q1 FY23. ANZ revenue grew by 6% to \$7.1m. Platform revenue, which is included in both divisions, jumped 118% to \$1.8m. As the following exhibit demonstrates, the company has increased sales significantly over the previous three corresponding periods and the EBITDA margin is now demonstrating the benefit of the investment in head-count, particularly its international operations, which we expect to drive sales and improved margins longer term.

	Q1 FY21*	Q1 FY22*	Q1 FY23*	Q1 FY24
Sales revenue	5.4	8.4	10.6	12.3
EBITDA	0.8	0.8	1.1	1.5
EBITDA margin	15%	10%	10%	12%

Source: Company data \*adjusted for discontinued business

Divisionally, Pureprofile's businesses outside Australia and New Zealand increased their share of the total business, contributing 42% to the total, versus 37% a year ago. RoW of which the UK is the largest contributor, grew revenue by 34% on the pcg and has grown at a three-year CAGR of 43%. ANZ also continued to grow, albeit at the lower pace of 6%, with a three-year CAGR of 27%.

	Q1 FY21	Q1 FY22	Q1 FY23	Q1 FY24	% chg (Q1 FY24 over Q1 FY23)	Three year CAGR
ANZ	3.8	5.7	6.7	7.1	6.0	27.0
RoW	1.6	2.7	3.9	5.2	34.0	43.0
<b>Total sales revenue</b>	<b>5.4</b>	<b>8.4</b>	<b>10.6</b>	<b>12.3</b>	<b>16.0</b>	<b>32.0</b>
Platform revenue included in both ANZ/ROW	0.2	0.9	0.8	1.8	118.0	98.0
EBITDA (excluding significant items)	0.8	0.8	1.1	1.5	36.0	22.0

Source: Company data

## Outlook

Pureprofile has reiterated that international expansion remains a core objective, especially in the UK and US where it is increasing commercial and marketing activities. Part of this expansion will be secured through its high margin Audience Builder platform for which it is seeking new partners.

## Earnings Adjustments For FY24f And FY25f Due to Cash STI

Our FY24f and FY25f forecasts have been adjusted to reflect the new cash-based STI programme for the executive management team. The company noted that it expected this to cost it \$1.05m in FY24 and that from its perspective, that it should have a material positive impact on NPAT in FY24.

In FY23, the STI was paid in equity. In the past, key management personnel (KMP) STI on-target has been between 100% and 120% of base salary. For FY24, this will be reduced to between 70% and 77% of base salary and be subject to meeting pre-set financial hurdles. It will also be recognised in the accounts as an employee benefits expense not a share-based payment expense.

As a general rule, we adjust our EBITDA, EBIT, NPAT and EPS forecasts to exclude non-cash share-based payments. As Pureprofile is moving to cash payments, we have now included these in our forecasts as ordinary

employee expenses and have assumed that FY25f will see STI at a similar rate to FY24f. We have also reduced our forecasts for D&A for both years to reflect the FY23 D&A rates. The impact on our forecasts is reflected in the following Exhibit. Note that our forecast for reported EPS for FY24f has increased as it does include non-cash items such as share based payments. We have also assumed that the company will utilise tax losses in FY24f and FY25f to pay a lower than corporate tax rate and this is driving the upgrade to FY25f EPS. Our model reverts to the statutory Australian corporate tax rate of 30% in later years.

<b>Exhibit 3: Earnings adjustments FY24f and FY25f (in A\$m unless otherwise stated)</b>				
<b>Earnings adjustments</b>	<b>FY24 old</b>	<b>FY24 new</b>	<b>FY25 old</b>	<b>FY25 new</b>
ANZ	24.3	24.3	25.7	25.7
ROW	25.6	25.6	31.1	31.1
Total Revenue	49.9	49.9	56.8	56.8
Gross Profit	23.1	23.1	25.6	25.6
Gross margin (%)	46.2	46.2	45.1	45.1
<b>EBITDA</b>	<b>5.4</b>	<b>4.3</b>	<b>7.5</b>	<b>6.4</b>
EBIT	2.0	1.6	4.4	3.7
<b>NPAT underlying</b>	<b>1.1</b>	<b>1.0</b>	<b>2.8</b>	<b>3.0</b>
NPAT reported	0.5	1.0	2.8	3.0
<b>EPS underlying</b>	<b>0.10</b>	<b>0.09</b>	<b>0.25</b>	<b>0.27</b>
EPS reported	0.05	0.09	0.25	0.27

Source: RaaS estimates

### Base-Case DCF Valuation Is \$0.095/Share Fully Diluted

We believe the discounted cash-flow methodology is the most appropriate method to value PPL, given the relatively early stage of the company's lifecycle. We apply a discount rate of 13.6% (beta 1.5, terminal growth rate of 2.2%). This derives a base-case valuation of \$0.095/share fully diluted for in-the-money options and performance rights. On the current share count of 1,107.0m, the valuation is \$0.109/share.

<b>Exhibit 4: Base-case DCF valuation</b>	
	<b>Parameters</b>
Discount rate (WACC)	13.6%
Terminal growth rate	2.2%
Beta	1.5
Present value of free cash flows (\$m)	58.4
Terminal value (\$m)	60.1
Plus net cash at 30-Jun-2023	(1.7)
<b>Equity value (\$m)</b>	<b>120.2</b>
Shares on issue (m) including in-the-money options and performance shares	1,263
<b>Equity value per share fully diluted</b>	<b>\$0.095</b>
<b>Equity value per share on current share count (1,107.0m)</b>	<b>\$0.109</b>

Source: RaaS estimates

**Exhibit 5: Financial Summary**

Pureprofile						Share price (7 November 2023)						A\$	0.027				
Profit and Loss (A\$m)						Interim (A\$m)						H123A	H223F	H124F	H224F	H125F	H225F
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Revenue	22.1	21.6	23.7	26.2	27.7	29.2					
Sales Revenue	30.0	35.5	43.7	49.9	56.8	EBITDA	2.2	2.2	1.7	2.6	3.0	3.4					
Gross Profit	16.8	18.3	23.0	25.6	29.4	EBIT	0.7	0.8	0.4	1.2	1.6	2.1					
EBITDA underlying	3.1	4.0	4.3	4.3	6.4	NPAT (normalised)	0.4	0.3	0.1	0.9	1.3	1.7					
Depn	(0.8)	(0.6)	(0.5)	(0.4)	(0.5)	Minorities	-	-	-	-	-	-					
Amort	(3.0)	(2.7)	(2.5)	(2.3)	(2.3)	NPAT (reported)	(0.5)	(1.7)	0.1	0.9	1.3	1.7					
EBIT underlying	(0.6)	0.8	1.3	1.6	3.7	EPS (normalised)	0.03	0.03	0.01	0.08	0.12	0.15					
Interest	(2.7)	(0.5)	(0.5)	(0.4)	(0.4)	EPS (reported)	(0.05)	(0.15)	0.01	0.08	0.12	0.15					
Tax	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	Dividend (cps)	-	-	-	-	-	-					
Minorities	0.0	0.0	0.0	0.0	0.0	Imputation	30.0	30.0	30.0	30.0	30.0	30.0					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Operating cash flow	0.4	2.2	0.5	2.5	2.6	1.8					
NPAT pre significant items*	(3.4)	0.2	0.7	1.0	3.0	Free Cash flow	1.7	3.4	1.8	3.9	3.9	3.1					
Significant items	6.2	(2.3)	(2.9)	0.0	0.0	<b>Divisions</b>	<b>H123A</b>	<b>H223F</b>	<b>H124F</b>	<b>H224F</b>	<b>H125F</b>	<b>H225F</b>					
NPAT (reported)	2.8	(2.2)	(2.2)	1.0	3.0	Data & Insights	20.1	18.9	20.5	22.4	23.5	24.7					
<b>Cash flow (A\$m)</b>						Media	0.0	0.0	0.0	0.0	0.0	0.0					
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Platform	2.2	2.7	3.2	3.8	4.1	4.5					
EBITDA underlying (Stat)	3.1	4.0	4.3	4.3	6.4	Sales revenue	22.2	21.6	23.7	26.2	27.7	29.2					
Interest	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)	COGS	(11.0)	(9.7)	(11.6)	(12.7)	(13.4)	(14.1)					
Tax	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	Employment	(7.1)	(7.9)	(8.6)	(9.0)	(9.3)	(9.6)					
Working capital changes	(0.6)	0.2	(1.4)	(0.7)	(1.4)	Technology, licence fees	(0.8)	(1.2)	(1.2)	(1.3)	(1.3)	(1.4)					
Operating cash flow	2.4	3.9	2.6	3.0	4.4	Other costs	(1.1)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)					
Mice capex	(0.0)	(0.1)	(0.1)	(0.6)	(0.6)	EBITDA	2.2	2.2	1.7	2.6	3.0	3.4					
Free cash flow	2.3	3.8	2.4	2.4	3.8	<b>Margins, Leverage, Returns</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24F</b>	<b>FY25F</b>						
Growth capex	(2.0)	(2.2)	(2.4)	(2.1)	(2.1)	EBITDA	10.4%	11.3%	9.8%	8.6%	11.3%						
Acquisitions/Disposals	0.0	0.0	(0.1)	0.0	0.0	EBIT	(2.0%)	2.1%	3.1%	3.1%	6.5%						
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	(11.2%)	0.5%	1.7%	2.0%	5.3%						
Cash flow pre financing	0.3	1.6	(0.1)	0.3	1.7	Net Debt (Cash)		0.6	2.3	1.7	2.1	3.8					
Equity	13.4	0.5	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	0.2	0.6	0.4	0.5	0.6					
Debt	(10.8)	0.0	(0.5)	0.0	0.0	ND/ND+Equity (%)	(%)	(19.9%)	(111.4%)	(64.3%)	(52.6%)	(72.0%)					
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)	n/a	0.7	0.4	0.3	0.1					
Net cash flow for year	2.9	2.2	(0.6)	0.3	1.7	ROA		(3.4%)	3.8%	6.1%	6.9%	14.8%					
<b>Balance sheet (A\$m)</b>						ROE		(37.4%)	(53.4%)	(49.2%)	19.2%	39.8%					
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	ROIC		3.2%	34.7%	105.1%	nm	nm					
Cash	3.6	5.3	4.7	5.1	6.8	<b>Working capital</b>		(1.5)	(1.9)	(1.2)	0.2	1.5					
Accounts receivable	5.7	7.0	7.5	7.6	9.9	WC/Sales (%)		(4.9%)	(5.3%)	(2.6%)	0.4%	2.7%					
Inventory	0.0	0.0	0.0	0.0	0.0	Revenue growth		23.8%	18.5%	22.9%	14.2%	13.9%					
Other current assets	1.7	1.8	2.6	2.6	2.6	EBIT growth pa		n/a	(225.3%)	76%	16.6%	136%					
Total current assets	11.1	14.1	14.8	15.2	19.2	<b>Pricing</b>		<b>FY21A</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24F</b>	<b>FY25F</b>					
PPE	0.1	0.1	0.1	0.3	0.4	No of shares (y/e)	(m)	1,100	1,107	1,107	1,107	1,107					
Intangibles and Goodwill	6.2	5.8	5.6	5.3	5.2	Weighted Av Dil Shares	(m)	1,058	1,089	1,107	1,107	1,107					
Investments	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	0.42	(0.20)	(0.20)	0.09	0.27					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	(0.31)	0.02	0.07	0.09	0.27					
Other non current assets	1.9	1.1	2.0	2.0	2.0	EPS growth (norm/dil)		n/a	(105.0%)	326.3%	39%	198%					
Total non current assets	8.3	7.0	7.7	7.6	7.6	DPS	cps	-	-	-	-	-					
<b>Total Assets</b>	<b>19.4</b>	<b>21.0</b>	<b>22.5</b>	<b>22.8</b>	<b>26.8</b>	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Accounts payable	7.2	8.9	8.7	7.4	8.3	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Short term debt	0.0	0.0	3.0	3.0	3.0	Dividend imputation		30	30	30	30	30					
Tax payable	0.1	0.1	0.1	0.1	0.1	PE (x)		6.4	-	-	29.8	10.0					
Other current liabilities	3.5	3.6	4.5	4.5	4.5	PE market		18.0	18.0	18.0	18.0	18.0					
Total current liabilities	10.8	12.5	16.2	14.9	15.9	Premium/(discount)		(64.3%)	(100.0%)	(100.0%)	65.5%	(44.4%)					
Long term debt	3.0	3.0	0.0	0.0	0.0	EV/EBITDA		9.3	6.9	6.6	6.4	0.0					
Other non current liabs	1.9	1.1	1.9	1.9	1.9	FCF/Share	cps	0.2	0.4	0.2	0.3	0.4					
Total long term liabilities	4.9	4.1	1.9	1.9	1.9	Price/FCF share		12.4	7.6	11.0	8.3	6.0					
<b>Total Liabilities</b>	<b>15.7</b>	<b>16.7</b>	<b>18.1</b>	<b>16.8</b>	<b>17.8</b>	Free Cash flow Yield		8.1%	13.2%	9.1%	12.1%	16.6%					
<b>Net Assets</b>	<b>3.7</b>	<b>4.4</b>	<b>4.4</b>	<b>6.0</b>	<b>9.0</b>												
Share capital	59.9	60.4	61.8	61.8	61.8												
Accumulated profits/losses	(57.6)	(59.8)	(60.6)	(59.0)	(56.1)												
Reserves	1.5	3.7	3.3	3.3	3.3												
Minorities	0.0	0.0	0.0	0.0	0.0												
<b>Total Shareholder funds</b>	<b>3.7</b>	<b>4.4</b>	<b>4.4</b>	<b>6.0</b>	<b>9.0</b>												

Source: RaaS estimates; Company data for actuals



# FINANCIAL SERVICES GUIDE

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**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**



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