

The power of SaaS drives H2 and FY23 profit

Kinatico Ltd (ASX:KYP) is a 'Know Your People' regtech company providing workforce compliance monitoring and management technology and services. KYP has reported FY23 NPAT of \$0.237m, an increase of 116% on the previous corresponding period (pcp), the company's best-ever result. On an adjusted basis (for non-cash items), NPAT was \$0.75m, a turnaround of \$1.5m on the prior period while the gross margin and EBITDA margin hit record levels of 65.7% and 11.2% respectively. The result came in ahead of our forecasts at the gross margin, EBITDA and NPAT lines. KYP noted the profit was earned from full-year revenue of \$27.7m, up 5% on the previous corresponding period (pcp) with SaaS revenue for the year at 18% of the total or \$5.1m. SaaS revenue has doubled its share of total revenue in the past 12 months and accounted for more than 24% of H2 FY23 revenue. Costs for the year and H2 were lower than we had anticipated. We have recut our forecasts for FY24 and FY25 to reflect a faster conversion of transactional customers to SaaS customers and while costs came in lower than thought in FY23, we recognise the inflationary cost pressures currently present and reflect these in our FY24 and FY25 forecasts. Our model has rolled with the effect of upgrading our valuation to \$0.25/share (previously \$0.23/share), implying an EV/Revenue multiple of 3.6x FY24f.

Business model

Over the past 18 months, Kinatico has focussed its business on the generation of SaaS revenue from the provision of simplified real-time workforce compliance monitoring and management. SaaS revenue accounted for 18% of FY23 revenue including 24% of H2 revenue and 28% of Q4 revenue. The business also has a long-standing screening and verification (SaV) revenue stream, under the brand CVCheck, from transactions, which tend to be one-time (although 80% of customers are recurring). SaV services generate transactional revenue with fees charged per check on a PAYG basis. They are targeted at business, skewed to police checks, and somewhat leveraged to the employment market. For SaaS, customers (employers) pay a set monthly SaaS fee for an end-to-end compliance management solution. KYP now offers a simple, monthly, all-in fee per worker ranging from \$15-\$30. Kinatico is focussed on transitioning all of its revenue to SaaS.

FY23 result demonstrates the benefit of SaaS focus

Kinatico has previously reported its FY23 revenue growth of 5.0% to deliver revenue of \$27.7m, of which SaaS revenue was \$5.1m. The acceleration in SaaS revenue was evident in H2 when the company generated a 175% increase in SaaS revenue to \$3.4m. Transactional revenue declined 13% in the same period as KYP continued to convert this revenue stream into SaaS. The annual report released last week presented the more complete picture of accounts with strong gross margin growth and EBITDA margin growth for H2 and FY23. This demonstrated the benefit of the SaaS focus, with the cost of sales declining despite the increase in sales revenue, delivering a strong increase in gross margin. Gross margin increased 3.4 points in H2 and 2.1 points over FY23. We have made adjustments to our FY24 and FY25 to reflect the acceleration of conversion to SaaS.

DCF valuation of \$0.25/share, fully diluted

Our DCF valuation is \$0.25/share (previously \$0.23/share), fully diluted for options on issue. Our DCF methodology incorporates a WACC of 14.4%, a risk free rate of 4.0% (previously 3.5%) and a terminal growth rate of 2.2%. This implies EV/Revenue multiples of 3.6x for FY24f and 3.2x for FY25f, compared with the current multiples of 1.1x FY24f and 0.9x FY25f. On a relative basis, KYP is trading at a 14% discount to the median of seven ASX-listed peers. Its nearest ASX peer, Xref (ASX:XF1), is also trading at a 14% premium. In the past six months, KYP has narrowed the discount to its peers and we expect this to continue as the company demonstrates continued growth in SaaS clients, secures material new contracts, and delivers sustained positive free cash flow and operating profit.

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

Year end	Revenue	Gross profit	EBITDA adj.	NPAT adj.	NPAT rep.	EPS adj.	EV/Revenue (x)	EV/EBITDA (x)	PER (x)
06/22a	26.4	16.8	1.8	(0.7)	(1.5)	(0.17)	1.2	16.7	n.a
06/23a	27.7	18.2	3.1	0.8	0.2	0.17	1.1	10.1	n.a
06/24f	29.3	19.4	3.7	1.0	1.0	0.25	1.1	8.5	38.7
06/25f	33.2	22.3	5.6	2.2	2.2	0.53	0.9	5.4	17.8

Sources: Company data; RaaS estimates for FY24f and FY25f. Adjusted EBITDA, NPAT and EPS exclude one-time and non-cash items including share-based compensation

Software & Services

6 September 2023

Share Details

ASX code	KYP
Share price (5-Sept)	\$0.095
Market capitalisation	\$40.0M
Shares on issue	419.7M
Net cash at 30-Jun-23	\$9.6M
Free float (including founders/ excluding founders)	~66%/ ~80%

Share Performance (12 months)



Company Interview

RaaS Interview with CEO Michael Ivanchenko:
[Kinatico RaaS Interview 5 September 2023](#)

Upside Case

- SaaS take-up exceeds expectations
- Highly-scalable business model
- Well positioned for potential M&A

Downside Case

- Lower/slower-than-expected SaaS uptake rate
- Enterprise customers take longer than expected to sign-up
- Pursuit of planned international expansion leads to higher-than-expected costs/losses

Catalysts

- Material new contracts for SaaS offering
- Delivery of process automation → positioning for future scalability and operating leverage
- M&A activity highlighting relative valuations

Company Contact

Michael Ivanchenko (CEO) +61 408 712 795
michaelivanchenko@kinatico.com

RaaS Contact

Finola Burke +61 414 354 712
finola.burke@raasgroup.com

FY23 Results Analysis

Kinatico delivered a better than forecast bottom-line result, with a 116% improvement in reported NPAT to \$0.24m, against our forecast for a loss of \$0.38m and FY22 NPAT loss of \$1.5m. Excluding non-cash items such as share payments, NPAT was \$0.75m, a 205% improvement on FY22 and ahead of our forecast for a net loss of \$0.18m. EBITDA was well ahead of our forecast too, with Kinatico reporting EBITDA unadjusted of \$2.58m, an increase of 133% on the pcp and above our forecast for \$1.94m. Adjusted EBITDA was \$3.11m, a 68% improvement on FY22 and again ahead of our expectations. The gross margin increased 2.1 points to 65.71%, substantially more than our forecast for 64.7% and demonstrating the benefit of the conversion to SaaS revenues, which due to their recurring nature, have a lower cost of sales.

Exhibit 1: Key figures from FY23 financial statements (in A\$m unless otherwise stated)				
	FY22a	FY23a	% chg on pcp	RaaS FY23 fct
Revenue	26.37	27.70	5	27.7
Gross margin (%)	63.60	65.71	+2.1 pts	64.7
EBITDA pre non-cash/one-time items	1.85	3.11	68	2.14
EBITDA reported	1.11	2.58	133	1.94
Operating cashflow	3.06	3.65	19	3.41
Free cashflow (after capex and capitalised development)	0.26	(0.31)	(219)	(0.73)
NPAT adjusted for non-cash items	(0.72)	0.75	(205)	(0.18)
Reported net profit/(loss) after tax	(1.50)	0.24	(116)	(0.38)
Cash/net cash	11.88	9.63	(19)	9.90

Source: KYP FY23 annual report

P&L - actuals vs. RaaS forecasts

Kinatico reported lower than FY22 cost of sales and operating costs, excluding employee costs, and outperformed our forecasts on the costs front. The small decline in cost of sales enabled the increase in sales to drop through to the bottom line. We expect this to continue as more of KYP's revenue is generated from SaaS sales.

Note the significant improvement in EBITDA margin, as lower operating costs also boosted the company's performance.

Exhibit 2: FY23 P&L vs. FY22 and RaaS FY23 forecasts (in A\$m unless otherwise stated)				
	FY22a	FY23a	% chg on pcp	vs. RaaS FY23f
Transactional revenue	24.0	22.6	42	22.6
SaaS revenue	2.4	5.1	322	5.1
Total sales revenue	26.4	27.7	51	27.7
Cost of sales	(9.6)	(9.5)	33	(9.8)
Gross margin	16.8	18.2	63	17.9
Gross margin (%)	63.6	65.7	+2.1 pts	64.7
Operating costs				
- Employment costs	(10.1)	(10.4)	3	(10.8)
- Other expenses	(4.9)	(4.7)	(3)	(5.0)
- Share-based payment expenses	(0.7)	(0.5)	(25)	(0.2)
Total operating costs	(15.6)	(15.7)	na	(16.0)
EBITDA exc non-cash items	1.9	3.1	228	2.1
EBITDA margin (%)	7.0	11.2	+6.9 pts	7.7
EBITDA reported	1.1	2.6	133	1.9
Total D&A	(2.4)	(2.6)	10	(2.5)
EBIT exc non cash items	(0.6)	0.5	(187)	(0.4)
Net interest	0.0	0.2	681	0.2
Net profit/(loss) before tax	(0.5)	0.6	(218)	(0.2)
Income tax expense	(0.2)	0.1	(167)	0.0
Net profit/(loss) after tax	(0.7)	0.8	(205)	(0.2)
NPAT reported	(1.5)	0.2	(116)	(0.4)

Sources: KYP FY23 annual report, RaaS forecasts

The improvement in operational performance was evident in the H2 results, which we set out in Exhibit 3.

Exhibit 3: H2 FY23a versus H2 FY22a and RaaS H2 FY23 forecasts (in A\$m unless otherwise stated)

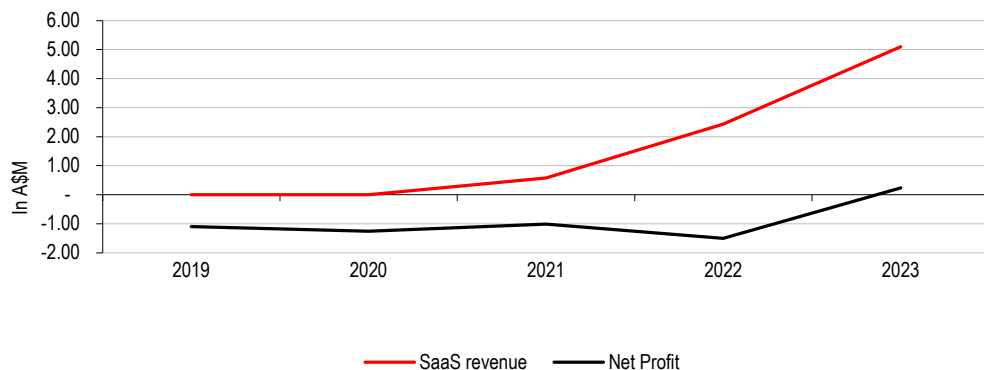
	H2 FY22a	H2 FY23a	% chg on pcp	vs. RaaS H2 FY23a
Transactional revenue	12.3	10.7	(13)	10.7
SaaS revenue	1.2	3.4	175	3.4
Total sales revenue	13.6	14.1	4	14.1
Cost of sales	(5.0)	(4.7)	(6)	(5.0)
Gross margin	8.6	9.4	10	9.2
Gross margin (%)	63.6	66.9	+3.4 pts	64.9
Operating costs				
- Employment costs	(5.1)	(4.7)	(7)	(5.1)
- Other expenses	(2.8)	(2.3)	(18)	(2.5)
- Share-based payment expenses	(0.3)	(0.3)	nm	0.0
Total operating costs	(8.2)	(7.3)	(11)	(7.6)
EBITDA reported	0.4	2.2	444	1.5
EBITDA excluding non-cash items	0.8	2.5	229	1.5
EBITDA margin (%)	5.6	17.8	+12.2 pts	10.9
Total D&A	(1.1)	(1.2)	13	(1.1)
EBIT	(0.3)	1.3	(474)	0.4
Net interest	0.0	0.1	n.m	0.2
Net profit/(loss) before tax	(0.3)	1.4	(532)	0.6
Income tax expense	(0.2)	0.1	(185)	0.0
Net profit/(loss) after tax	(0.5)	1.5	(424)	0.6
NPAT reported	(0.9)	1.2	(239)	0.6

Sources: KYP FY23 annual report, RaaS forecasts

As the table above demonstrates, while Kinatico’s sales were in line with our expectations, the operational performance accelerated in H2 FY23. Gross margin improvement was up 3.4 points in H2 FY23 over H2 FY22 and came in 2.0 points ahead of our forecast for the half year. Reported EBITDA was 444% ahead on that reported in H2 FY22 and well ahead of our forecast for \$1.5m. Adjusted EBITDA of \$2.5m came in 229% ahead the pcp and the EBITDA margin expanded significantly to 17.8%, an increase of 12.2 points on H2 FY22 and ahead of our forecast margin of 10.9%. NPAT both adjusted and unadjusted was well ahead of our forecast for the half and a significant turnaround on the net losses reported in H2 FY22.

The company presented a table in the FY23 annual report which we have recreated below to demonstrate the growth in reported NPAT as SaaS revenue has increases. It is our expectation that SaaS revenue will continue to drive profitability for Kinatico for the next several years.

Exhibit 4: SaaS revenue versus NPAT FY19 to FY23 (in A\$m unless otherwise stated)



Source: FY23 annual report, RaaS analysis

Earnings Adjustments

We have taken the view that the conversion from transaction revenue accelerates and have adjusted our forecasts accordingly. We have also been mindful that the operating environment, particularly at enterprise level, remains challenging and have tempered our forecasts to reflect this. We do anticipate that SaaS revenue will surpass transactional revenue in FY25. As discussed in the previous section, FY23 costs were lower than our estimates. We have chosen to maintain our previous assumptions for FY23, mindful of the current inflationary environment and wages pressure.

Exhibit 2: Earnings adjustments (in A\$m unless otherwise stated)					
	FY24 old	FY24 new	FY25 old	FY25 new	
SaV Revenue	21.4	19.2	20.4	16.3	
SaaS Revenue	11.1	10.1	18.0	16.9	
Revenue	32.6	29.3	38.4	33.2	
Gross profit	21.6	19.4	25.8	22.3	
EBITDA	5.6	3.7	8.9	5.6	
EBIT	3.2	1.4	6.2	3.1	
NPAT	2.5	1.0	4.6	2.2	
EPS	0.61	0.25	1.11	0.5	

Source: RaaS estimates

DCF Valuation

Our valuation utilises a discounted cash-flow methodology which we consider to be the most appropriate methodology for valuing KYP at this point in its lifecycle as it pursues its SaaS sales growth strategy. Our discount rate of 14.5% includes a beta of 1.6, which is the five-year rate observed by Refinitiv. We have assumed all options on issue (4.5m) convert. This gives us a DCF valuation of \$0.25/share, which implies an EV/Revenue of 3.6x FY24f and 3.2x FY25f.

Exhibit 5: DCF valuation	
Parameters	Outcome
Discount rate / WACC	14.5%
Beta*	1.6
Terminal growth rate assumption	2.2%
Sum of PV (A\$m)	48.4
PV of terminal value (A\$m)	48.2
PV of enterprise (A\$m)	96.7
Net debt / (cash) – 30 June 2023 (A\$m)	(9.6)
Net valuation – equity (A\$m)	106.3
No. of shares on issue (fully-diluted for options on issue) (M)	421
NPV per share (A\$)	\$0.25

Sources: RaaS estimates, *Refinitiv's observed beta of 1.6 based on its five-year monthly beta methodology

Peer EV/Revenue Trading Multiples

We have looked at comparable ASX-listed companies, of which there are seven, to consider peer EV/Revenue trading multiples. The company most comparable to Kinatico is XREF (ASX:XF1) which also operates in the reference checking arena. Other comparable regulatory or workforce compliance SaaS operators include Damstra Holdings (ASX:DTC), Knosys (ASX:KNO), K2fly (ASX:K2F) and Wrkr (ASX:WRK), also a RaaS research client. We have included talent engagement group LiveHire and accounting compliance company 8Common for completeness. As set out in the table below, KYP is currently trading at a discount of 14% relative to its ASX-listed peers based on FY23a EV/Revenue respectively. The discount to XF1, its closest ASX peer, is now also at around 14% based on FY23a.

Exhibit 6: KYP discount to ASX-listed peer EV/Revenue trading multiples			
Company	ASX code	Enterprise value (A\$M)	EV/Revenue (FY23a) X
8Common Ltd	8CO	15.0	2.07
Damstra Holdings Ltd	DTC	34.3	1.16
K2fly Ltd	K2F	11.5	0.85
Knosys Ltd	KNO	11.0	1.11
LiveHire Ltd	LVH	14.5	1.78
Wrkr Ltd	WRK	20.6	3.05
Xref Ltd	XF1	29.9	1.47
Median		14.7	1.47
Kinatico	KYP	38.7	1.26

Sources: RaaS analysis, Refinitiv; Based on closing prices on 1 September 2023

Exhibit 7: Financial Summary

Kinatico						Share price (5 September 2023)						A\$	0.10				
Profit and Loss (A\$m)						Interim (A\$m)						H122A	H222A	H123A	H223A	H124F	H224F
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Revenue	12.8	13.6	13.6	14.1	14.5	14.7					
Transactional revenue	16.9	23.9	22.6	19.2	16.3	EBITDA	1.1	0.8	0.6	2.5	1.9	1.8					
SaaS revenue	0.6	2.4	5.1	10.1	16.9	EBIT	(0.2)	(0.3)	(0.8)	1.3	0.8	0.6					
Sales Revenue	17.5	26.4	27.7	29.3	33.2	NPAT (normalised)	(0.2)	(0.5)	(0.8)	1.5	0.6	0.4					
Gross Profit	10.3	16.8	18.2	19.4	22.3	Minorities	-	-	-	-	-	-					
EBITDA underlying	1.5	1.8	3.1	3.7	5.6	NPAT (reported)	(0.6)	(0.9)	(1.0)	1.2	0.6	0.4					
Depn	(0.3)	(0.4)	(0.5)	(0.3)	(0.3)	EPS (normalised)	(0.06)	(0.11)	(0.18)	0.36	0.14	0.11					
Amort	(1.0)	(2.0)	(2.1)	(2.1)	(2.2)	EPS (reported)	(0.14)	(0.20)	(0.23)	0.28	0.14	0.11					
EBIT underlying	0.2	(0.6)	0.5	1.4	3.1	Dividend (cps)	-	-	-	-	-	-					
Interest	0.0	0.0	0.1	0.1	0.1	Imputation	-	-	-	-	-	-					
Tax	0.0	(0.2)	0.1	(0.4)	(1.0)	Operating cash flow	1.2	1.8	0.9	2.7	1.3	1.7					
Minorities	0.0	0.0	0.0	0.0	0.0	Free Cash flow	2.4	3.5	3.1	4.5	2.9	3.2					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Divisions	H122A	H222A	H123A	H223A	H124F	H224F					
NPAT pre significant items	0.3	(0.7)	0.8	1.0	2.2	Transactional Revenue	11.6	12.3	11.9	10.7	10.0	9.2					
Significant & non-cash items	(1.3)	(0.8)	(0.5)	0.0	0.0	SaaS Revenue	1.2	1.2	1.7	3.4	4.5	5.6					
NPAT (reported)	(1.0)	(1.5)	0.2	1.0	2.2	Sales revenue	12.8	13.6	13.6	14.1	14.5	14.7					
Cash flow (A\$m)						COGS	(4.7)	(5.0)	(4.8)	(4.7)	(4.9)	(4.9)					
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Gross Profit	8.2	8.6	8.8	9.4	9.6	9.8					
EBITDA	1.5	1.8	3.1	3.7	5.6	GP Margin (%)	63.7	63.5	64.5	66.9	66.0	66.5					
Interest	0.0	0.0	0.1	0.1	0.1	Employment	(5.0)	(5.1)	(5.7)	(4.7)	(4.9)	(5.2)					
Tax	0.8	(0.1)	(0.1)	(0.4)	(1.0)	Technology, licence fees	(1.8)	(2.5)	(1.7)	(2.3)	(2.4)	(2.5)					
Working capital changes	(1.4)	1.3	0.5	(0.4)	0.0	Other costs	(0.3)	(0.3)	(0.7)	0.1	(0.3)	(0.3)					
Operating cash flow	1.0	3.1	3.6	3.0	4.7	EBITDA (normalised)	1.1	0.8	0.6	2.5	1.9	1.8					
Mtce capex	(0.0)	(0.2)	(0.1)	(0.2)	(0.2)	Margins, Leverage, Returns	FY21A	FY22A	FY23A	FY24F	FY25F						
Free cash flow	1.0	2.8	3.6	2.8	4.5	EBITDA	8.8%	7.0%	11.2%	12.7%	16.7%						
Capitalised Dev. Costs	(0.9)	(2.6)	(3.9)	(3.0)	(3.0)	EBIT	1.3%	(2.1%)	1.7%	4.7%	9.3%						
Acquisitions/Disposals	(1.8)	(0.7)	0.0	0.0	0.0	NPAT pre significant items	1.7%	(2.7%)	2.7%	3.5%	6.7%						
Other	0.3	(0.0)	0.0	0.0	0.0	Net Debt (Cash)	12.9	10.4	8.5	8.1	9.6						
Cash flow pre financing	(1.4)	(0.4)	(0.3)	(0.2)	1.5	Net debt/EBITDA (x)	(x)	8.4	5.6	2.7	2.2	1.7					
Equity	9.9	0.0	(1.3)	(0.3)	0.0	ND/ND+Equity (%)	(%)	(97.0%)	(69.2%)	(52.1%)	(45.9%)	(52.3%)					
Debt	0.0	(0.3)	(0.3)	0.0	0.0	EBIT interest cover (x)	(x)	(0.1)	n/a	0.3	(0.1)	(0.0)					
Dividends paid	0.0	0.0	0.0	0.0	0.0	ROA	1.1%	(1.7%)	1.4%	4.3%	9.2%						
Net cash flow for year	8.6	(0.7)	(1.8)	(0.4)	1.5	ROE	(6.2%)	(5.8%)	0.9%	4.1%	8.3%						
Balance sheet (A\$m)						ROIC	1.9%	(10.3%)	18.1%	38.4%	63.3%						
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Working capital	(0.8)	(0.9)	(1.1)	(0.7)	(0.7)						
Cash	12.9	11.9	9.6	9.2	10.7	WC/Sales (%)	(4.6%)	(3.4%)	(4.0%)	(2.5%)	(2.2%)						
Accounts receivable	3.0	3.0	2.4	2.0	2.2	Revenue growth	41.3%	50.9%	5.0%	5.6%	13.4%						
Inventory	0.0	0.0	0.0	0.0	0.0	EBIT growth pa	n/a	n/a	-187%	nm	123%						
Other current assets	0.4	0.0	0.3	0.3	0.3	Pricing	FY21A	FY22A	FY23A	FY24F	FY25F						
Total current assets	16.3	14.9	12.4	11.5	13.3	No of shares (y/e)	(m)	429	434	420	417	417					
PPE	0.3	2.0	1.6	1.5	1.4	Weighted Av Dil Shares	(m)	429	434	430	417	417					
Intangibles and Goodwill	15.9	16.4	18.2	19.1	19.9	EPS Reported	cps	(0.30)	(0.35)	0.05	0.25	0.53					
Investments	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	0.09	(0.17)	0.17	0.25	0.53					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)	n/a	n/a	(205.6%)	nm	117%						
Other non current assets	0.0	0.3	0.3	0.3	0.3	DPS	cps	-	-	-	-	-					
Total non current assets	16.2	18.8	20.1	20.9	21.6	DPS Growth	n/a	n/a	n/a	n/a	n/a						
Total Assets	32.5	33.7	32.4	32.4	34.9	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%						
Accounts payable	3.8	3.9	3.5	2.7	3.0	Dividend imputation	0	0	0	0	0						
Short term debt	0.0	0.0	0.0	0.0	0.0	PE (x)	-	-	172.8	38.7	17.8						
Tax payable	0.1	0.2	0.1	0.1	0.1	PE market	18.0	18.0	18.0	18.0	18.0						
Other current liabilities	2.4	2.7	2.9	2.9	2.9	Premium/(discount)	(100.0%)	(100.0%)	859.8%	114.9%	(0.9%)						
Total current liabilities	6.3	6.8	6.5	5.7	5.9	EV/EBITDA	18.1	16.7	10.1	8.5	0.0						
Long term debt	0.0	1.5	1.1	1.1	1.1	FCF/Share	cps	0.0	0.1	(0.1)	0.0	0.4					
Other non current liabs	0.0	0.0	0.0	0.0	0.0	Price/FCF share	336.7	159.1	(129.5)	200.5	26.4						
Total long term liabilities	0.0	1.5	1.1	1.1	1.1	Free Cash flow Yield	0.3%	0.6%	(0.8%)	(0.5%)	3.8%						
Total Liabilities	6.3	8.3	7.6	6.8	7.0												
Net Assets	26.2	25.4	24.9	25.6	27.9												
Share capital	47.2	47.9	46.7	46.4	46.4												
Accumulated profits/losses	(22.1)	(23.3)	(23.1)	(22.1)	(19.8)												
Reserves	1.1	0.8	1.3	1.3	1.3												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	26.2	25.4	24.9	25.6	27.9												

Sources: Company data, RaaS Advisory estimates



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorised representatives.

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Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

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