

Q1 SaaS revenue tops \$3m, 38% of total revenue

Kinatico Ltd (ASX:KYP) is a ‘Know Your People’ regtech company providing workforce compliance monitoring and management technology and services. KYP announced on 10 October that its Q1 FY25 revenue had increased 10% on the previous corresponding period (pcp) to a record \$8m, with Subscription-as-a-Service (SaaS) revenue for the quarter topping \$3m or 38% of total revenue. Q1 SaaS revenue is up 50% on the pcp and 9% on Q4 FY24. Management said SaaS revenue on an annualised basis was running at \$12.1m. Transactional revenue for the quarter increased 10% on Q4 FY24 but was down 5% on the pcp. On an annualised basis, transactional revenue is running at \$20m. We model that transactional revenue will decline by 10% in FY25f to \$17.1m but that SaaS revenue will grow 50% to \$14.1m over the same period. Q1 appears to put the company well on the way to meet or exceed our forecasts. We have not changed our forecasts following the Q1 result and retain our DCF valuation at \$0.30/share. A +/-10% sensitivity analysis gives us a valuation range of \$0.20-\$0.43/share.

Business model

Kinatico is focusing its business on the generation of SaaS revenue from the provision of simplified real-time workforce compliance monitoring and management technology and services. SaaS revenue accounted for 34% of FY24 revenue, up from 18% in FY23 and was a significant factor in the increased EBITDA-adjusted margin in FY24 (13.5% in FY24 versus 11.2% in FY23). The business also has a long-standing screening and verification (SaV) revenue stream, under the brand CVCheck, from transactions, which historically have been one-time but presents now as a ready-made pipeline and sales acquisition client base for the SaaS product. SaaS customers (employers) pay a set monthly SaaS fee for an end-to-end compliance management solution. Kinatico has a target of generating 80% of its revenue from SaaS within three years ([5 September company presentation](#)).

Q1 FY25 revenue growth demonstrates momentum

Kinatico has announced Q1 FY25 revenue of \$8.0m, with \$3.0m of this generated by SaaS customers. SaaS revenue for the quarter increased 50% on the pcp and 9% on Q4 FY24. Total revenue increased 10% on the pcp, despite transactional revenue declining 5% in the period. The company noted that the result reflects the market demand for simplifying daily compliance management. We see the Q1 result as a positive start for FY25. On an annualised basis, SaaS revenue is running at \$12.1m, with current momentum indicating that it could end the year higher. We are forecasting \$14.6m SaaS revenue in FY25f. Conversely, transactional revenue is declining at a slower pace than we have forecast for FY25f (our \$17.1m revenue forecast for FY25f anticipates a year-on-year decline of 10%). If transactional revenue continues to decline at just 5% throughout the year, Kinatico could end up delivering a better result than our current forecasts. We will continue to monitor this throughout the year.

DCF valuation of \$0.30/share, unchanged

Our DCF valuation is \$0.30/share and incorporates a WACC of 13.2% (beta of 1.41, a risk-free rate of 4.0% and a terminal growth rate of 2.2%). In our view, the WACC we use is justified given the sustained profitability and free cash flow that this company has delivered over the past two financial years. Our DCF implies EV/Revenue multiples of 4.0x for FY25f and 3.6x for FY26f, compared with the current multiples implied in our forecasts of 1.3x FY25f and 1.1x FY26f. We would expect the gap between the current share price and our valuation to narrow provided Kinatico demonstrates continued growth in SaaS revenue, 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.	EPS adj.	EV/Revenue (x)	EV/EBITDA (x)	PER (x)
06/24a	28.7	19.2	3.9	1.0	0.24	1.4	10.5	48.2
06/25f	31.7	21.0	4.0	1.1	0.30	1.3	10.1	38.8
06/26f	35.0	23.4	5.1	1.7	0.45	1.1	7.8	25.7
06/27f	38.7	26.1	6.8	2.9	0.73	0.9	5.4	15.8

Sources: Company data; RaaS estimates for FY25f, FY26f and FY27f. Adjusted EBITDA, NPAT and EPS exclude one-time and non-cash items including share-based compensation

Software & Services

11 October 2024

Share Details

ASX code	KYP
Share price (10-Oct)	\$0.115
Market capitalisation	\$49.9M
Shares on issue	433.6M
Net cash at 30-Jun-24	\$9.9M
Free float	~57%

Share Performance (12 months)



Company Interviews and Webinars

- [Kinatico Georg Chmiel Interview 19 July 2024](#)
- [Kinatico Georg Chmiel Transcript 19 July 2024](#)
- [Kinatico RaaS Interview 23 July 2024](#)
- [Kinatico RaaS Transcript 23 July 2024](#)
- [RaaS Stock Take Webinar 11 September 2024](#)

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

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Exhibit 1: Financial Summary

Kinatico						Share price (10 October 2024)						A\$	0.12				
Profit and Loss (A\$m)						Interim (A\$m)											
Y/E 30 June	FY23A	FY24A	FY25F	FY26F	FY27F	H124A	H224A	H125F	H225F	H126F	H226F						
Transactional revenue	22.6	19.0	17.1	16.3	15.6	Revenue	14.4	14.4	15.5	16.1	17.4	17.6					
SaaS revenue	5.1	9.7	14.6	18.7	23.1	EBITDA	1.9	2.0	2.1	1.9	2.6	2.5					
Sales Revenue	27.7	28.7	31.7	35.0	38.7	EBIT	0.3	0.5	1.0	0.7	1.4	1.3					
Gross Profit	18.2	19.2	21.0	23.4	26.1	NPAT (normalised)	0.4	0.6	0.7	0.5	1.0	0.9					
EBITDA underlying	3.1	3.9	4.0	5.1	6.8	Minorities	-	-	-	-	-	-					
Depn	(0.5)	(0.5)	(0.2)	(0.2)	(0.1)	NPAT (reported)	0.4	0.4	0.7	0.5	0.9	0.9					
Amort	(2.1)	(2.6)	(2.1)	(2.3)	(2.4)	EPS (normalised)	0.09	0.15	0.17	0.13	0.23	0.22					
EBIT underlying	0.5	0.7	1.6	2.5	4.2	EPS (reported)	0.09	0.10	0.16	0.11	0.22	0.21					
Interest	0.1	0.3	0.1	0.1	0.2	Dividend (cps)	-	-	-	-	-	-					
Tax	0.1	(0.1)	(0.6)	(0.8)	(1.3)	Imputation	-	-	-	-	-	-					
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	1.5	2.7	1.3	1.8	2.2	2.2					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	3.1	4.3	2.8	3.3	3.7	3.7					
NPAT pre significant items	0.8	1.0	1.2	1.8	3.0	Divisions						H124A	H224A	H125F	H225F	H126F	H226F
Significant & non-cash items	(0.5)	(0.2)	(0.1)	(0.1)	(0.1)	Transactional Revenue	10.0	9.1	9.0	8.1	8.5	7.7					
NPAT (reported)	0.2	0.8	1.1	1.7	2.9	SaaS Revenue	4.4	5.3	6.6	8.0	8.9	9.8					
Cash flow (A\$m)						Sales revenue	14.3	14.4	15.5	16.1	17.4	17.6					
Y/E 30 June	FY23A	FY24A	FY25F	FY26F	FY27F	COGS	(4.6)	(4.9)	(5.2)	(5.4)	(5.8)	(5.8)					
EBITDA	3.1	3.9	4.0	5.1	6.8	Gross Profit	9.7	9.5	10.3	10.7	11.6	11.8					
Interest	0.1	0.3	0.1	0.1	0.2	GP Margin (%)	67.7	66.1	66.3	66.4	66.7	66.9					
Tax	(0.1)	(0.1)	(0.6)	(0.8)	(1.3)	Employment	(5.1)	(5.1)	(5.5)	(5.9)	(6.1)	(6.2)					
Working capital changes	0.5	0.1	(0.5)	0.0	0.0	Technology, licence fees	(2.4)	(2.1)	(2.3)	(2.4)	(2.5)	(2.6)					
Operating cash flow	3.6	4.2	3.1	4.4	5.7	Other costs	(0.3)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)					
Mtce capex	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	EBITDA (normalised)	1.9	2.0	2.1	1.9	2.6	2.5					
Free cash flow	3.6	4.2	3.0	4.4	5.7	Margins, Leverage, Returns						FY23A	FY24A	FY25F	FY26F	FY27F	
Capitalised Dev. Costs	(3.9)	(3.2)	(3.0)	(3.0)	(3.0)	EBITDA		11.2%	13.5%	12.8%	14.5%	17.7%					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		1.7%	2.6%	5.1%	7.2%	10.9%					
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items		2.7%	3.5%	3.7%	5.2%	7.8%					
Cash flow pre financing	(0.3)	1.0	0.0	1.4	2.7	Net Cash		9.6	9.8	9.8	11.2	13.8					
Equity	(1.3)	(0.1)	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	3.1	2.5	2.4	2.2	2.0					
Debt	(0.3)	(0.4)	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(63.2%)	(61.0%)	(56.9%)	(62.8%)	(75.7%)					
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)	-	0.3	(0.4)	(0.1)	(0.0)					
Net cash flow for year	(1.8)	0.5	0.0	1.4	2.7	ROA		1.4%	2.3%	4.9%	7.4%	11.4%					
Balance sheet (A\$m)						ROE		0.9%	3.1%	4.0%	6.1%	9.6%					
Y/E 30 June	FY23A	FY24A	FY25F	FY26F	FY27F	ROIC		3.2%	4.8%	9.6%	14.4%	23.4%					
Cash	9.6	9.8	9.8	11.2	13.8	Working capital						(1.1)	(1.3)	(0.8)	(0.8)	(0.9)	
Accounts receivable	2.4	2.6	2.1	2.4	2.6	WC/Sales (%)		(4.0%)	(4.6%)	(2.5%)	(2.3%)	(2.2%)					
Inventory	0.0	0.0	0.0	0.0	0.0	Revenue growth		5.0%	3.7%	10.3%	10.4%	10.8%					
Other current assets	0.3	0.4	0.4	0.4	0.4	EBIT growth pa		nm	nm	114%	58%	67%					
Total current assets	12.4	12.7	12.3	13.9	16.8	Pricing						FY23A	FY24A	FY25F	FY26F	FY27F	
PPE	1.6	1.1	1.0	0.8	0.7	No of shares (y/e)	(m)	420	434	434	434	434					
Intangibles and Goodwill	18.2	18.7	19.5	20.3	20.9	Weighted Av Dil Shares	(m)	430	419	434	434	434					
Investments	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps		0.05	0.19	0.27	0.42	0.70				
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps		0.17	0.24	0.30	0.45	0.73				
Other non current assets	0.3	0.3	0.3	0.3	0.3	EPS growth (norm/dil)			nm	nm	24%	51%	62%				
Total non current assets	20.1	20.1	20.8	21.4	22.0	DPS	cps		-	-	-	-	-				
Total Assets	32.4	32.8	33.1	35.3	38.8	DPS Growth			n/a	n/a	n/a	n/a	n/a				
Accounts payable	3.5	3.9	2.9	3.2	3.5	Dividend yield			0.0%	0.0%	0.0%	0.0%	0.0%				
Short term debt	0.0	0.0	0.0	0.0	0.0	Dividend imputation			0	0	0	0	0				
Tax payable	0.1	0.0	0.0	0.0	0.0	PE (x)			209.1	61.9	42.7	27.4	16.4				
Other current liabilities	2.9	2.1	2.5	2.5	2.5	PE market			26.9	26.9	26.9	26.9	26.9				
Total current liabilities	6.5	6.0	5.4	5.7	6.0	Premium/(discount)			nm	130.1%	58.6%	1.7%	(38.9%)				
Long term debt	0.0	0.0	0.0	0.0	0.0	EV/EBITDA			11.5	10.5	9.7	7.3	0.0				
Other non current liabs	1.5	1.1	0.7	0.7	0.7	FCF/Share	cps		(0.1)	0.2	0.0	0.3	0.6				
Total long term liabilities	1.5	1.1	0.7	0.7	0.7	Price/FCF share			(156.7)	49.1	1,159.1	36.4	18.7				
Total Liabilities	8.0	7.1	6.1	6.4	6.7	Free Cash flow Yield			(0.6%)	2.0%	0.1%	2.7%	5.3%				
Net Assets	24.5	25.7	27.0	29.0	32.1												
Share capital	46.7	46.5	46.5	46.5	46.5												
Accumulated profits/losses	(23.1)	(22.3)	(21.0)	(19.1)	(15.9)												
Reserves	1.3	1.5	1.5	1.5	1.5												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	24.9	25.7	27.0	29.0	32.1												

Sources: Company data, RaaS forecasts

FINANCIAL SERVICES GUIDE

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