

Pureprofile Ltd

Data analytics on a pure scale

Pureprofile Ltd 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. The company has an established position with its 500+ clients and has captured through its panel fully declared, deep consumer profiles, first-party data and insights. Pureprofile has been through a substantial restructure over the past two years, culminating in the recently announced recapitalisation plan and debt to equity conversion for all but \$3m of its outstanding borrowings. This positions the company to both leverage its data and insights business into higher margin opportunities as well as explore small acquisitions to expand its panel. Our base case DCF valuation of \$0.046/share, (based on a Weighted Average Cost of Capital or WACC of 14.5% and terminal growth rate of 2.2%), implies a compound growth of 25.3% in 10-year free cashflows, in line with a sector that is forecast to generate from 20%-30% CAGR over the same period.

Business model

Pureprofile generates its revenue from providing data analytics and consumer insights derived from its actively managed panels of digital members accessed through its proprietary technology platform. Pureprofile also has a media arm which executes advertising campaigns for clients. 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 content and personalised experiences.

Return to operating profitability, balance sheet restructure

The company returned to operating profitability in FY20, having been through a substantial restructure of the business over the course of the last two financial years, divestment of non-performing assets and a refocus on its core data and insights business in Australia, the UK and US. Pureprofile reported EBITDA from continuing operations and excluding one-time items of \$1.6m in FY20, a turnaround from the adjusted loss of \$1.3m in FY19. The company has subsequently turned its attention to the elephant in the room, its debt burden, and has announced an 8-for-one non-renounceable entitlements offer a \$0.02/share to raise \$3.5m in new equity together with conversion of a large part of the \$25.6m debt owed to Lucerne Composite Fund into equity. This will leave Pureprofile with a debt facility of \$3m ongoing and sufficient working capital to execute its growth plans.

Base case valuation is \$0.046/share post entitlements offer

We have used the discounted cashflow methodology to value Pureprofile using a WACC of 14.5% (beta 2.0, terminal growth rate of 2.2%) and this derives an equity value, post entitlements offer and debt restructure of \$48.9m or \$0.046/share. Our terminal value is \$0.022/share within this valuation. As a sense check, this implies an FY21 EV/Sales multiple of 1.7x and FY21 EV/EBITDA multiple of 16.2x (based on our forecasts) which is still below the group of comparable domestic and international peers that we have identified.

Historical earnings and RaaS forecasts

Year end	Revenue* (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT* (A\$m)	EPS* (c)	EV/Sales (x)	EV/EBITDA (x)
06/19a	26.7	15.5	(1.3)	(7.9)	(5.1)	0.62	nm
06/20a	24.2	13.7	1.6	(6.8)	(0.2)	1.04	15.55
06/21e	27.7	15.7	2.9	(1.1)	(0.3)	0.92	8.85
06/22e	33.5	19.3	4.8	1.9	0.0	0.73	5.11

Source: Company data for historical earnings, RaaS estimates for FY21e and FY22e *Revenue NPAT and EPS adjusted for one-time items and discontinued operations

Media and Advertising

26th October 2020

Share details

ASX Code	PPL
Share Price (23 Oct 2020)	\$0.023
Market Capitalisation post entitlements	\$24.4M
Shares on issue post entitlements offer	1,058M
Net cash post entitlements offer based on June 30 cash	\$2.3M
Free float	~52%

Share performance (12 months)



Upside Case

- Clean slate with legacy acquisitions sold and costs minimised
- New CEO is highly experienced in building data insights businesses
- 85% of its revenue is from repeat business and ~25% is subscription based (SaaS model)

Downside Case

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

Catalysts

- Completed rights issue
- Restructure of debt
- Expanding operating profitability to EPS growth

Board of directors

Andrew Edwards	Non-Executive Chairman
Sue Close	Non-Executive Director
Martin Filz	Managing Director/CEO

Comparable companies AU/NZ

CM8.AX , EN1.AX, PLX.NZ, RXH.AX, XTO.AX

RaaS contacts

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Pureprofile Ltd

Pureprofile Ltd has been operating since 2000 and listed on the ASX in July 2015 after raising \$12.1m at \$0.50/share and acquiring media and programmatic trading company SparcMedia. The company has spent the last two years restructuring and unwinding transactions made at and post IPO. In FY20, the company returned to positive operating cashflow. Pureprofile has engaged a new CEO and Managing Director Martin Filz who brings considerable experience in building data and insights businesses in the UK/Europe and APAC regions for some of the largest players in the market research industry. The company is also seeking to tackle its substantial outstanding debt position which currently undermines its ability to leverage its core data and insights platform. The announced recapitalisation of the company should, in our view, allow management to pursue the refreshed corporate strategy to leverage the core data and analytics assets through both organic growth and through measured small acquisitions to enhance its market position.

Investment case

In our view, Pureprofile has the opportunity to achieve success for the following reasons:

- The company has returned to its core data and analytics business which has consistently demonstrated revenue growth over the past decade;
- The company has returned to profitability following the divestment of its non-performing assets;
- The proposed rights issue and debt restructure positions the company for a cleaner balance sheet and puts it in a position to consider acquisitions as industry consolidates;
- The data analytics sector is forecasted to enjoy double digit growth over the next several years;
- More than 85% of Pureprofile's revenues are from repeat customers
- Almost one-quarter, and growing, of Pureprofile's revenues are recurring and subscription-based;
- The company has strong, entrenched relationships with major media companies, advertising agencies and brands;
- A core strength is Pureprofile's ability to deliver pre-qualified panels of consumers, with privacy requirements matched for both their corporate users and the consumers
- The company owns its proprietary technology platform, built over two decades
- Leveraging this proprietary technology platform and pre-profiled consumers into a self-service platform for companies, this is a highly profitable and growing part of Pureprofile's revenue stack.

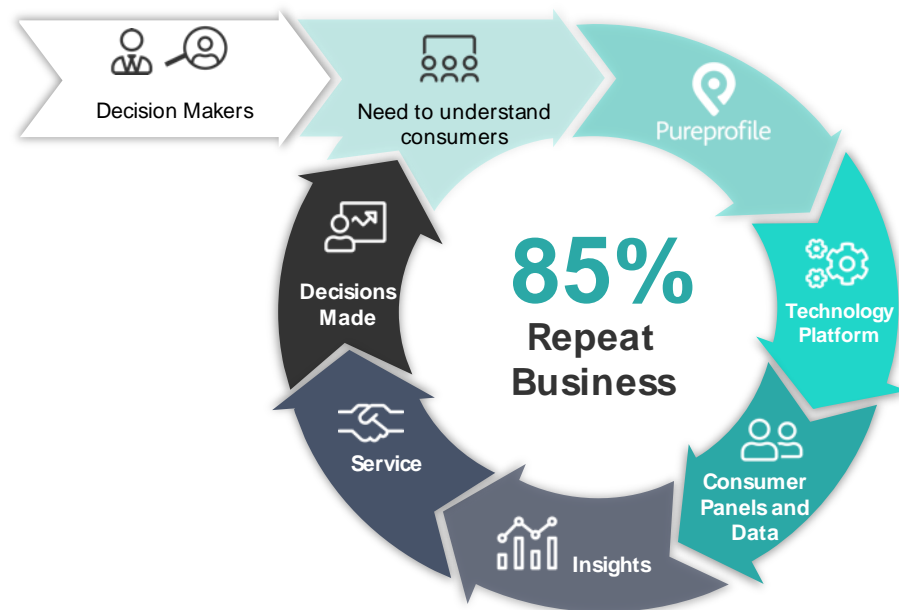
DCF valuation implies 10-year CAGR in free cashflows of 25.3%

In our view, the discounted cashflow methodology is the most appropriate method for valuing Pureprofile given its recent return to positive cashflow. We have applied a WACC of 14.5% (beta 2.0, terminal growth rate 2.2%) to reflect a higher risk profile still present in this stock. This derives a base valuation of \$0.046/share with \$0.022/share in the terminal value, implying a 10-year CAGR in free cashflows of 25.3%.

The business

Pureprofile is a data and analytics company that owns several independent, actively managed panels of digital members accessed through its proprietary technology platform. The company provides brands, advertising agencies, companies and governments with access to groups of authentic, pre-profiled consumers making it more efficient and easier to access the key insights being sought. With data privacy increasingly becoming a major issue, Pureprofile delivers a valuable tool to decision-makers through its technology platform and consumer panels. The value it delivers is evident by the fact that 85% of its revenues are derived from repeat business. Currently 77% of its revenue is generated from ad hoc research.

Exhibit 1: Pureprofile's technology stack



Source: Company presentation, September 2020

Pureprofile attracts individual members to its panels through rewards – cash via PayPal (up to A\$70 every 60 days), movie tickets, and gift cards – and through a better user experience generated from the outcomes of the questionnaires. The company currently has more than 2m profiles available across Australia, New Zealand, the United Kingdom and the United States with a higher statistical weighting than the actual population in the key 25-34 year, 35-44 year and 45-54 year age groups in each of these countries. More than 60% of the panel members are female. Pureprofile has also partnered with other online providers internationally to give it access to respondents in more than 25 countries and hundreds of millions of additional respondents. Our exhibit below details the company's own panels and the age groups that populate each.

Exhibit 2: Panel numbers and distribution by age groups by country

Country	No of profiles available	15-24 yrs	25-34yrs	35-44yrs	45-54yrs	55-64yrs	65+ yrs
Australia	369,000	22.8%	31.3%	21.0%	11.9%	7.4%	5.6%
New Zealand	80,000	11.2%	23.8%	19.7%	17.6%	13.8%	13.9%
United Kingdom	170,000	14.9%	18.0%	22.2%	19.9%	14.5%	10.2%
United States	1,482,000	15.5%	29.0%	21.0%	13.8%	12.3%	8.4%

Source: Pureprofile Global Panel Book February 2020

The company ensures the quality of its panel by deploying a rigorous process of identity validation; IP address matching; name, password and profile matching; unique machine/device ID validation; fraud and poor behaviour detection and geo IP detection and deduping filters. This enables Pureprofile to comply with evolving global data regulation laws as well as honouring industry codes of practice and meeting global standards as set out in ISO 20252:2019 Market, Opinion and Social Research.

As a result, Pureprofile has attracted a high-quality list of brands, advertising agencies and government agencies and universities as clients. We highlight some of these in the following exhibit. Among its university clients are the University of Western Australia and University of Queensland, while the Federal Government is also a client.

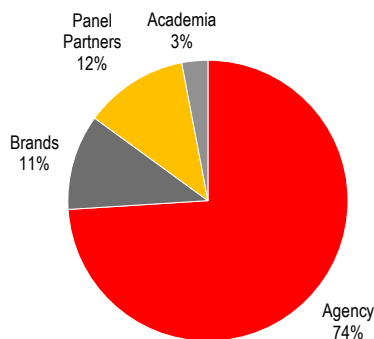
Exhibit 3: Some of Pureprofile's clients



Source: Company data

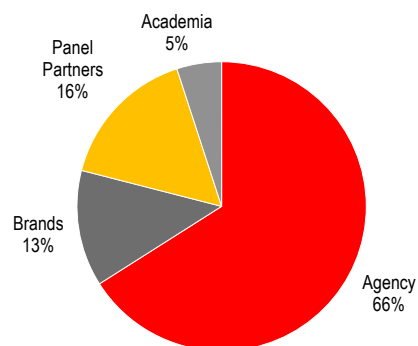
As the next two charts demonstrate, brands, panel partners & academia increased their revenue contribution in FY20, although agencies (market research, media & PR) remained the dominant income source.

Exhibit 4: Client contribution to revenue in FY19



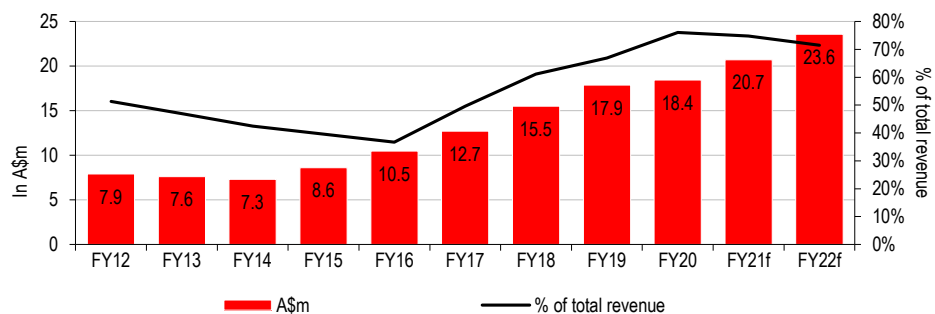
Source: Company presentation (September 2020)

Exhibit 5: Client contribution to revenue in FY20



Source: Company presentation (September 2020)

Exhibit 6: Data and Insights Revenues, historical and share of total revenue



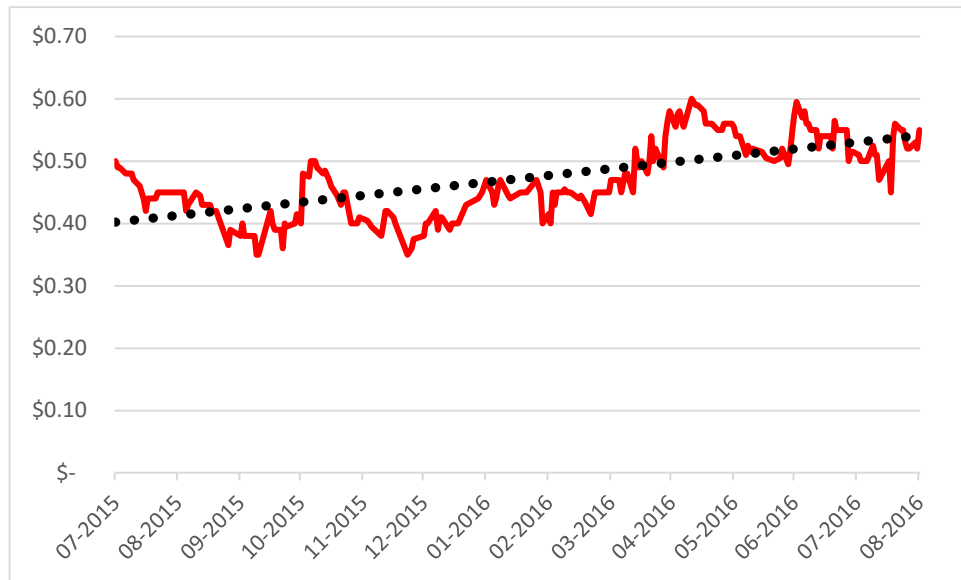
Source: Company data, RaaS analysis

Data and insights remains the greatest source of income for the company, generating almost 80% of revenues in FY20. We are forecasting for data and insights revenues to remain the major source of revenue in the future.

History

Pureprofile commenced operations in 2000 and was listed on the ASX in July 2015 after concurrently acquiring media buying and programmatic trading company Sparc Media and raising \$12.1m at \$0.50/share to derive a market capitalisation at the time of \$28.95m. The company initially enjoyed earnings momentum outperforming its prospectus forecasts in both FY15 and FY16 by 5% and 1% respectively. Its share price held at around the IPO price throughout this period.

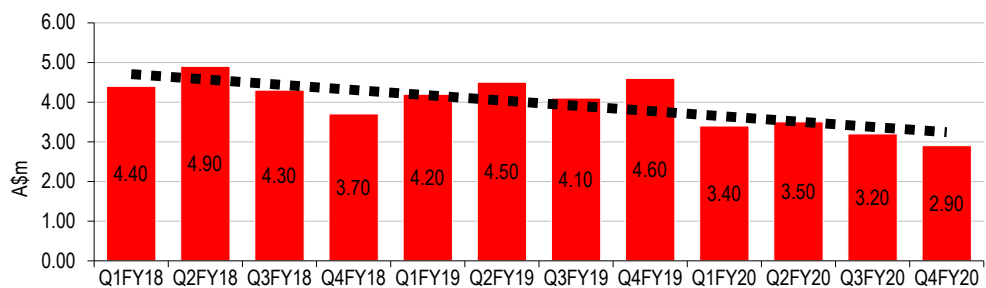
Exhibit 7: Pureprofile share price performance from IPO to reporting FY16 results



Source: Thomson Reuters Eikon

From float to the end of 2018, however, the company made a series of acquisitions in the programmatic trading and media buying space. These acquisitions proved to be costly to shareholders, particularly the programmatic trading business acquired with SparcMedia at IPO and the Cohort digital media and lead generation business acquired in November 2016. These missteps resulted in the company taking on debt financing to the point that it was overleveraged, resulting in negative equity for shareholders. Over the past two years, Pureprofile has divested the programmatic trading, media buying and Australian performance businesses for substantially less than it paid but it stemmed the losses. It also repaid the debtor financing facility that it took on over the course of FY18 and which has subsequently been replaced by the current facility. Management has scraped costs out the business to the point where Pureprofile moved back into profitable cash generation in H2 FY20. The downward trend of the cost base is evident in the operating expenses reported by the company each quarter and set out in the following exhibit.

Exhibit 8: Quarterly operating expenses FY18-FY20



Source: Company data

However as the following exhibit highlights, despite returning to operating profitability (EBITDA positive) in FY20, Pureprofile remained debt laden at the end of the financial year.

Exhibit 9: Historical earnings performance and net debt and equity (In A\$m)						
Year ending June 30	FY15	FY16	FY17 [^]	FY18	FY19	FY20
Revenue	21.7	28.5	52.9	25.4	26.7	24.2
Gross Profit	10.8	15.2	25.9	14.9	15.5	13.7
EBITDA*	0.6	2.6	4.3	(2.2)	(1.3)	1.6
NPAT*	0.3	1.1	0.5	(7.3)	(7.9)	(6.8)
Net debt	(1.5)	(0.3)	2.3	7.5	15.9	24.6
Total equity	1.2	11.1	29.9	5.9	(8.9)	(18.7)

Source: Company annual reports, RaaS Analysis *Adjusted for one-time items and non-cash items including share based payments [^]Includes programmatic trading revenues in FY17. FY18 and FY19 were restated for discontinued businesses

From the exhibit above, it is pretty obvious that the company needed to tackle its debt position. The company initially had in place a \$10m finance facility from Interface Financial Group which it put in place in November 2017 as a debtor facility. IFG however scaled back its operations in 2018, with Lucerne Composite Fund stepping in to offer a two year facility at 20% pa interest. Faced with this facility maturing in early 2021, Pureprofile has entered into a recapitalisation programme which we discuss in the following section.

Recapitalisation detail

Pureprofile has announced a fully underwritten, 8-for-1 entitlements offer priced at \$0.02/share to raise a total of \$18.8m, including \$3.5m from new equity capital. Lucerne Composite Fund has underwritten \$15.3m of the issue via a debt to equity swap. Peloton Capital is the co-underwriter of the raise. The fresh capital will be used for working capital (\$1.7m), for the development of its self-service platform technology (\$0.5m), and an (\$0.9m) investment in the sales team and global panel partnerships. The issue price is at a 17% discount to the last close (\$0.024/share) prior to the announcement. The cost of the issue is \$0.4m. In addition 15m options with a \$0.03/share strike price and expiry of 8 December 2022 will be issued to Peloton. Concurrently, Lucerne Composite Fund has agreed to take up its rights and will be issued with 483.15m shares at \$0.02/share and has agreed to forgive ~\$7.3m in debt. Ongoing, Lucerne has provided a new \$3m debt facility to Pureprofile, fully drawn, for a three- year term, at an annual interest rate of 8.5%, paid quarterly. The new shares are scheduled to commence trading on November 25. We set out details of the transaction in the following exhibit.

Exhibit 10: Capital restructure detail	
Transaction detail	In A\$m unless stated otherwise
Current market capitalisation	2.82
Current share price	0.024
Current shares outstanding	117.5
Rights issue ratio (8.0:1.0 owned)	8.0
New shares to be issued	940.2
Shares on issue post transaction	1,057.7
Issue price	0.02
Total equity raised comprising (A\$m):	18.80
New equity raised (A\$m)	3.50
Lucerne underwritten portion of raise via a debt /equity swap (A\$m)	15.30
Debt outstanding at 30 September	25.60
Debt remaining after issue but before debt forgiveness	10.30
Agreed Debt post recapitalisation	3.00
Total Debt Forgiven	7.30
New Shares issued (M)	175.00
Shares subscribed by existing shareholders (assume 30%) (M)	399.59
Shares issued to Lucerne (M)	483.15
Lucerne shareholding post issue	46%

Source: Company data, RaaS analysis

Post transaction and based on the \$0.023/share on 22 October, Pureprofile should have an Enterprise Value of \$24.2m which implies an FY21 EV/EBITDA multiple of 8.4x based on our EBITDA forecast of \$2.9m and

EV/Sales multiple of 0.9x based on our FY21 revenue forecasts. As we highlight later in the report, we believe it is more appropriate to look at the UK/US listed peer group, which although substantially larger, they are more directly comparable to Pureprofile and there are consensus forecasts available for forward estimates.

Exhibit 11: Post transaction analysis

Post transaction analysis	Parameter
Post transaction Enterprise Value (based on \$0.023/share close on 22 October)	24.2
FY21 EBITDA forecast (RaaS estimates)	2.9
EV/EBITDA FY21	8.4
Premium (Discount) relative to UK/US peers	(50.0%)
FY21 Sales	27.7
EV/Sales	0.9
Premium (Discount) relative to UK/US peers	(72.4%)

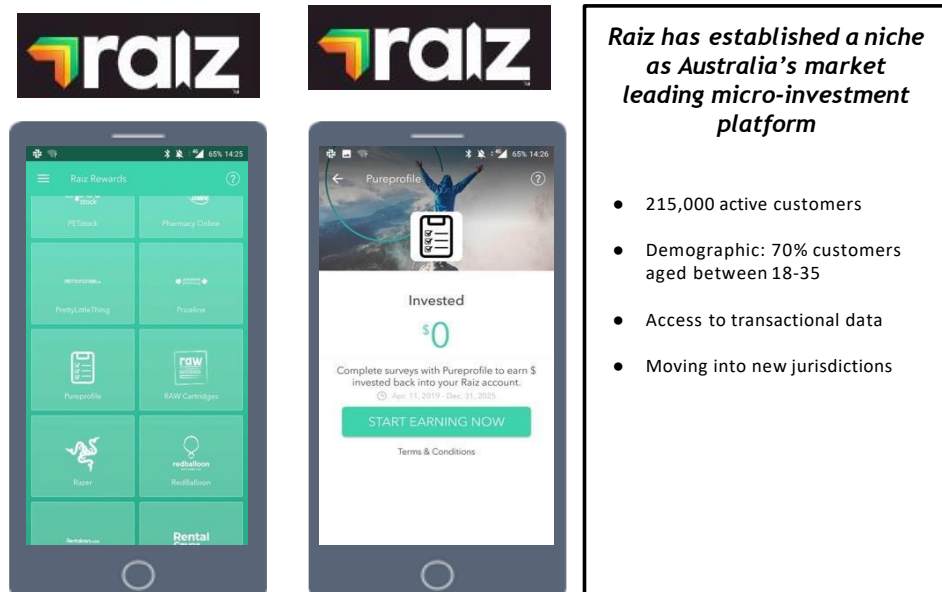
Source: RaaS Estimates, Thomson Reuters Eikon prices and consensus forecasts for UK peer analysis

Corporate strategy post recapitalisation

The transaction should remove a major burden for the group and position it to better leverage its data and insights business through both partnerships and global expansion. The company also plans to focus on expanding the customer base on its self-service, insights platform. Pureprofile has been offering clients a self-service option for the past two years but without emphasis. In FY20, this generated \$0.5m in revenue with almost all but about 5% of this converting to gross profit. With the recapitalisation proceeds, Pureprofile plans to invest in salespeople and the technology platform, improving the user experience and buying best in breed systems to plug into the proprietary platform. We are forecasting that self-service will generate \$1.17m in sales in FY21 and \$2.4m in FY22 and deliver 20% of sales longer-term. More importantly, it will deliver a recurring revenue base for the group both via licence/subscription fees and repeat customers seeking easy and rapid access to consumers.

On the partnership front, Pureprofile has existing relationships with the mobile investment company Raiz Invest (whereby Raiz users are offered the opportunity to earn additional rewards by participating in Pureprofile surveys), with News Limited through the News Connect platform; and with NZ’s Smart Fuel. The benefits to these partners include the ability to engage their members and gain insights about their lifestyle; a new way for members to earn and spend; positions the partners to generate revenue from their customers via greater engagement; and generate revenue share from the surveys. Pureprofile benefits from the expanded survey base and access to often difficult-to-attract populations.

Exhibit 12: : Raiz Invest partnership



Raiz has established a niche as Australia’s market leading micro-investment platform

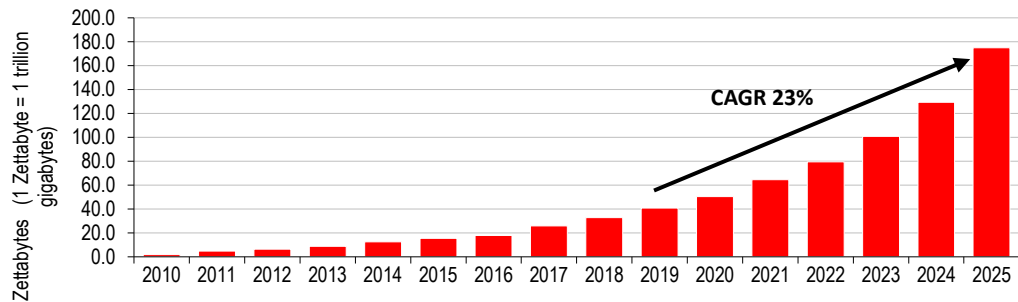
- 215,000 active customers
- Demographic: 70% customers aged between 18-35
- Access to transactional data
- Moving into new jurisdictions

Source: Company presentation, September 2020

The Global Data Market

Pureprofile operates in the global data market delivering data sets and analytics to corporates, brands and market research companies. International Data Corporation estimates that the data usage market was 45 zettabytes in 2019 and is forecasting that this will grow at a CAGR of 23% to 2025 to reach 175 zettabytes¹. One zettabyte is equivalent to a trillion gigabytes. To show how large this is, imagine storing the entire global datasphere on DVDs – you would have a stack of single layer Blu-ray discs that could get you to the moon 23 times or circle Earth 222 times, according to IDC!

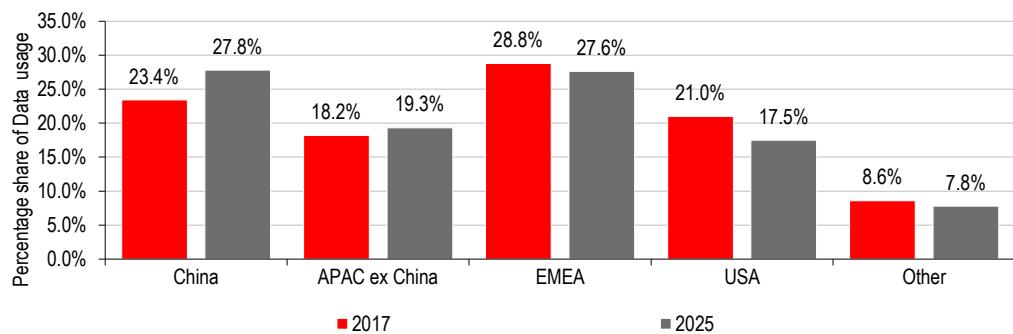
Exhibit 13: Global Data Usage 2010 to 2025f



Source: International Data Corporation, May 2020

Further, China and the Asia-Pacific region ex China are forecasted by IDC to increase their share of data usage by 2025 over 2017.

Exhibit 14: Share of data by region 2017a versus 2025f



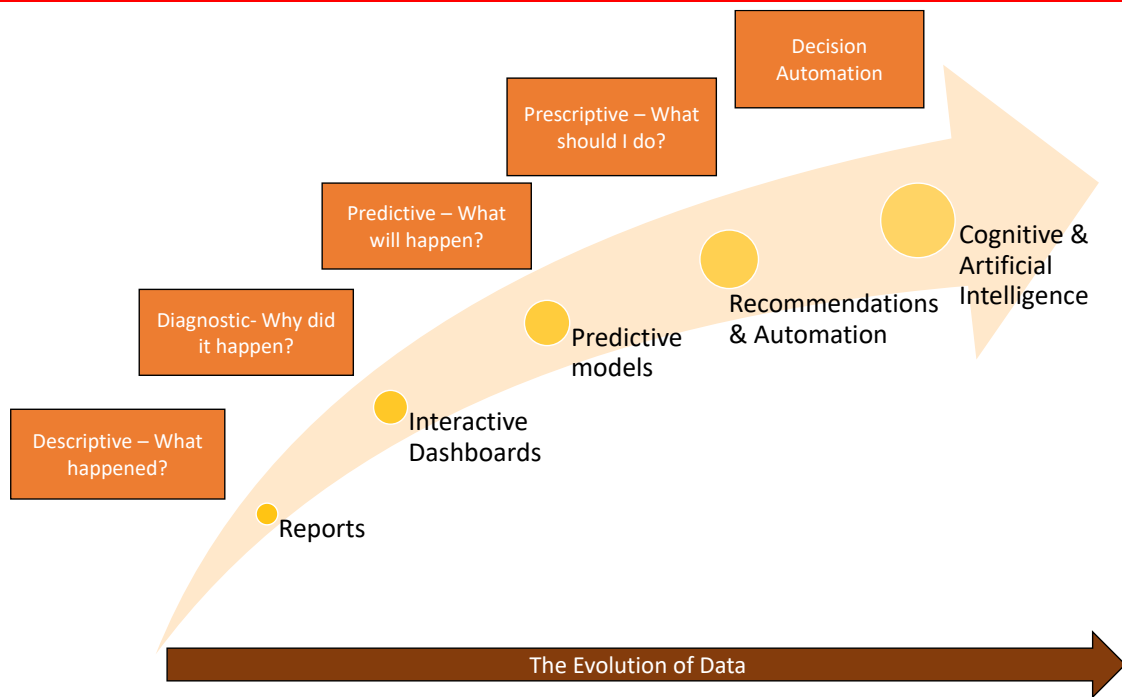
Source: International Data Corporation, May 2020

IDC estimates that global information communications and telecommunications (ICT) spend will decline slightly in CY20 (US\$4.897tr vs US\$4.912tr in CY19) due to the COVID-19 pandemic with traditional spending on hardware and telecommunications bearing the brunt of this decline. Offsetting this is the expectation for relatively flat spending on software and services but a 16% lift in new technology spend driven by cloud, mobile, social and analytics. The Big Data and Business Analytics (BDA) market is estimated by IDC to have generated US\$189.1b in revenue in CY19 and forecasted by IDC to generate US\$274.3b in CY22 (a 3-year CAGR of 13%). According to IDC, digital transformation will be a key driver of BDA spending with corporations requiring deep assessments of their current business practices and demand for better, faster, and more comprehensive access to data and related analytics and insights. BDA-related software revenues were forecasted by IDC to be US\$67.2b in 2019, with end-user query, reporting, and analysis tools the largest software category at US\$13.6b.

¹ Data Age 2025, sponsored by Seagate with data from IDC Global DataSphere, May 2020

Frost & Sullivan classifies the Big Data Analytics market into two major categories: Data Discovery and Visualization (DDV) and Advanced Analytics (AA). According to Frost & Sullivan, Big Data Analytics accounted for US\$8.5b in 2017 and is forecast to grow at a CAGR of 29.7% to US\$40.6b by 2023. Frost & Sullivan notes that the market trends are being driven by organisations realising the operational advantages of BDA, improved DDV empowering organizations to better target consumers, increased access to cloud-based models, enterprise-grade security and data governance solutions offered by market vendors, and continued vendor consolidation. Machine learning and computer aided predictive analysis is driving the process with the evolution of data analysis moving from the very basic descriptive phase through to decision automation. We set out this evolution in the following exhibit.

Exhibit 15: The Evolution of Data through its Five Phases



Source: RaaS Analysis

ESOMAR estimates that the Global Market Research market hit US\$79.8b in 2018², an increase of 6% over the prior year with the bulk of the growth (10%) coming from new, non-traditional market research techniques.

Exhibit 16: Global Market Research Market 2014-2018 (calendar years)

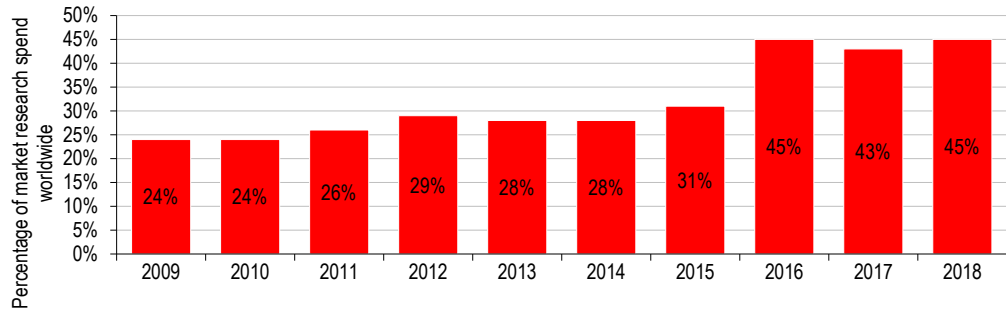
In US\$b	2014	2015	2016	2017	2018
Traditionally defined market research*	41.93	39.54	40.05	39.73	40.74
Online analytics	7.95	8.84	9.55	11.02	11.98
Consulting firm research	5.28	5.62	5.94	6.29	6.86
IT & telecom research	3.84	4.07	4.40	5.13	5.92
Marketing reports/research	3.58	3.59	4.51	4.42	4.92
Social media monitoring	1.73	2.08	2.72	3.13	3.55
Social media and communities	1.93	2.01	2.15	2.34	2.57
Web analytics	1.06	1.13	1.20	1.39	1.45
Sample panel providers	0.95	0.99	0.96	1.00	1.02
Survey software	0.50	0.56	0.60	0.70	0.82
Total	68.75	68.43	72.08	75.15	79.83
Non-traditional share of total	39%	42%	44%	47%	49%

Source: ESOMAR Global Market Research, American Marketing Association *As defined by ESOMAR GMR report 2018

ESOMAR also estimates that online research is now 45% of total marketing research spend worldwide, up from 24% in 2009. The exhibit on the following page sets out ESOMAR's estimates.

2 ESOMAR Global Market Research 2018, published September 2019

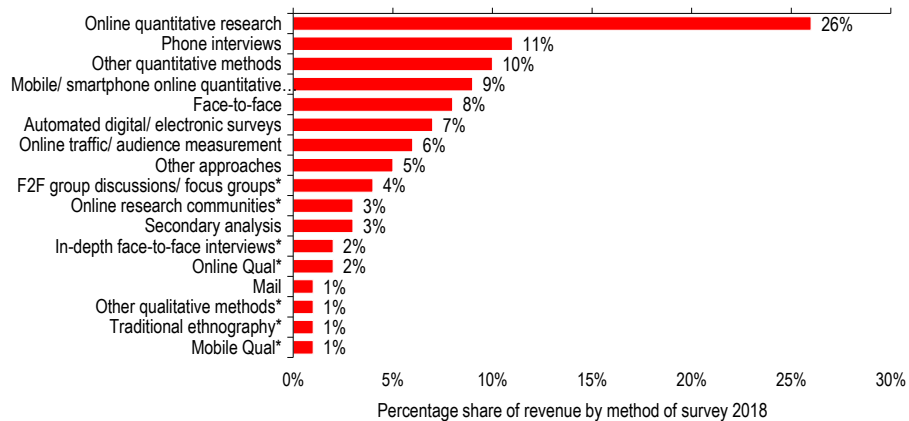
Exhibit 17: Online research as a percentage of total marketing research spend worldwide



Source: ESOMAR Global Market Research Report 2019

The global distribution of revenue by market research method of survey is heavily skewed to online quantitative research, which is the province of Pureprofile’s services.

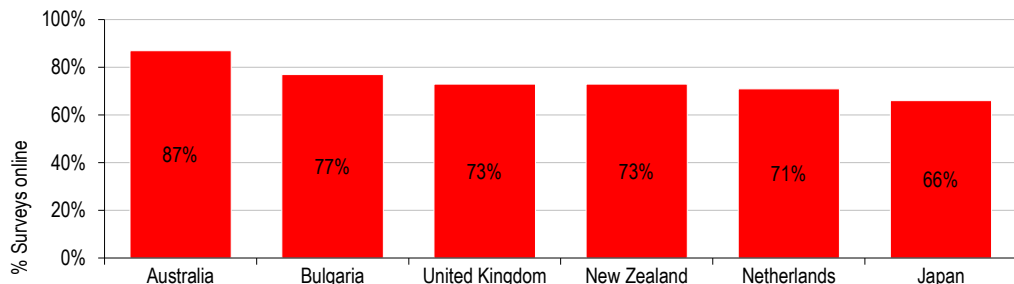
Exhibit 18: Global distribution of revenue in market research by method of survey in 2018



Source: ESOMAR Global Market Research Report September 2019, Statista

Australia is the most sophisticated market for online surveys with ESOMAR estimating that 87% of surveys are conducted online.

Exhibit 19: Percentage of surveys online by country (CY2018)



Source: ESOMAR Global Market Research Report 2019

In Australia, too, the link between traditional market research and advertising expenditure is strongest with ESOMAR’s 2018 Pricing Study funding the MR ratio to ad spend in Australia was 7%, compared with 5% in New Zealand and 2% in China.

Exhibit 20: The link between traditional market research and advertising spend

US\$m 2017	Traditional Market Research	Advertising Spend	MR Ratio to Ad spend
China	1,773	76,650	2%
Japan	1,876	38,021	5%
Australia	836	12,448	7%
India	328	7,790	4%
Hong Kong	144	5,378	3%
New Zealand	88	1,744	5%

Source: ESOMAR Pricing Study 2018

Globally, total market research spend as a percentage of total advertising spend has declined from 16% in CY2014 to 14% in CY2018, but online/non-traditional market research spend has increased from 6% to 7% over the same period. Given the higher proportion of online surveys in Australia, this suggests that Australia has seen a similar trend.

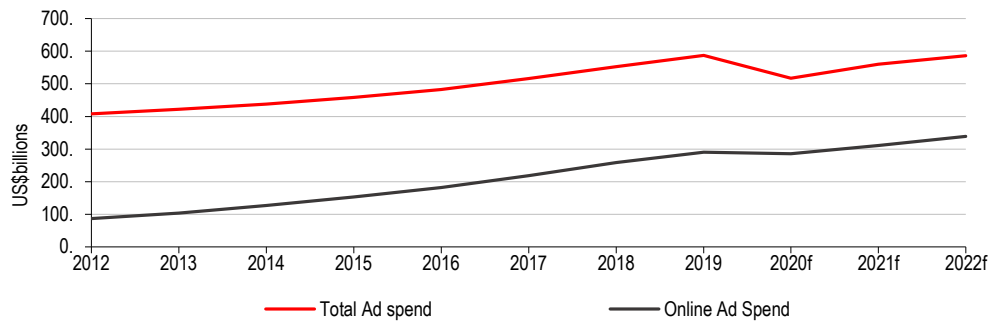
Exhibit 21: Total and non-traditional market research spend as a percentage of ad spend

Calendar year	Total market research spend (US\$b)	Total advertising spend (US\$b)	Total MR ratio to ad spend	Online/non-traditional market research (US\$b)	Online MR Ratio to ad spend
2014	68.8	437.7	16%	26.8	6%
2015	68.4	458.7	15%	28.9	6%
2016	72.1	482.9	15%	32.0	7%
2017	75.2	516.2	15%	35.4	7%
2018	79.8	552.7	14%	39.1	7%

Sources: ESOMAR for market research spend, GroupM/Statista for advertising spend, RaaS analysis

Given the relationship between advertising spend and market research expenditure, the outlook for global ad spend is pertinent to the sector. GroupM is forecasting an 11% decline in global ad spend in CY2020 due to the global recession but for the decline in online ad spend to be contained to just 2%. Thereafter a recovery in advertising expenditure is forecast.

Exhibit 22: Total Global Advertising Spend and Global Online Ad Spend, actual and forecast



Source: GroupM, Statista, September 2020

The global market research market is dominated by two players, Optum and Nielsen, which together command 20% of the total global market research market. The top 14 firms, set out in the following exhibit, account for 50% of the global market research market, with a long tail thereafter.

Exhibit 23: Leading market research companies by revenue

	Annual revenue US\$m	Country of Origin
Optum	9,008	US
Nielsen	6,515	US
IQVIA	3,904	US
Experian	3,877	Ireland
Gartner	3,516	US
Kantar	3,449	UK
Epsilon	2,175	US
Ipsos	2,067	France
IHS Markit	1,996	UK
GfK	1,616	Germany
IRI	1,200	US
Dynata	509	US
Westat	506	US
Intage	489	Japan

Source: ESOMAR 2019 Global Marketing Report, American Marketing Association

Australian market

Around 70% of Pureprofile's revenues are generated in Australia. IBISWorld³ estimates the market research and statistical services market to be around \$3.3b and is forecasting annual growth of 2.4% over the next 5 years to reach \$3.7b by 2025. Within the sector, online quantitative research services command the greatest share of revenues, accounting for 28.1% of revenues forecast for FY20, according to IBISWorld. Market share concentration in the Australian market is low, with the Australian Bureau of Statistics the largest player with 12.8% of the market and the top 4 players accounting for 18.6% of industry revenue in FY20. The high fragmentation in the sector represents an opportunity for Pureprofile to acquire complementary businesses.

Earnings forecasts

Our forecasts are predicated on Pureprofile retaining its operating profitability in FY21f and returning to positive NPAT in FY22f. These forecasts are based on our expectation that the company will successfully complete its restructure and recapitalisation plan, enabling management to work with a manageable debt position and to focus on growing the core data & insights business as well as expand its self-service platform.

Exhibit 24: RaaS's earnings forecasts FY21-FY25

Year ending June 30	2021f	2022f	2023f	2024f	2025f
Revenue	27.7	33.5	37.9	43.0	48.3
Gross Profit	15.7	19.3	22.2	25.6	29.1
GP margin	57%	58%	59%	60%	60%
EBITDA	2.87	4.78	6.66	9.14	11.56
EBIT	0.10	2.29	4.32	6.88	9.37
NPAT	(1.14)	1.91	3.36	5.19	6.98
EPS (cps)*	(0.25)	0.03	0.16	0.29	0.49

Source: RaaS analysis *based on full take-up of entitlements offer and raise

We anticipate that the data & insights business will grow at a CAGR of 10% from FY21-FY25 and for the self-service platform to grow at a CAGR of 40% taking it to a 13% share of total revenue. Overall revenue is forecasted to grow at a CAGR of 12% over the period, which, in our view, is reasonably conservative given that third party forecasts for big data analytics growth is more than 2.5x this over the same period.

Exhibit 25: Revenue breakdown FY21f-FY25f

Year ending June 30	2021f	2022f	2023f	2024f	2025f	CAGR FY21f-FY25f
Data & Insights	20.7	24.1	26.9	29.8	33.1	10%
Media	4.1	5.0	5.6	6.1	6.8	11%
Performance	1.7	2.0	2.0	2.1	2.2	5%
Self Service Platform	1.2	2.4	3.5	5.0	6.3	40%
Total Revenue	27.7	33.5	37.9	43.0	48.3	12%

Source: RaaS estimates

3 IBISWorld, Market Research and Statistical Services in Australia, April 2020

Our forecasts are for operating cashflow to be positive from H2 FY21 and for an annual ongoing spend on the platform of \$2m per annum. We anticipate gross debt of \$5.0m for the next five years with cash generation leading to a net cash position by FY24. Our forecasts do not include any capital management forecasts or acquisitions.

Exhibit 26: Cashflow and balance sheet forecasts

	2021f	2022f	2023f	2024f	2025f
Operating cashflow	0.1	3.1	4.2	5.9	7.6
OCF/EBITDA (%)	3%	64%	63%	64%	66%
Expansion capex	2.0	2.0	2.0	2.0	2.0
Net debt (cash)	1.1	0.1	(2.0)	(5.8)	(11.3)

Source: RaaS estimates

SWOT analysis

In our view the strengths and opportunities for Pureprofile outweigh the weaknesses and threats.

Exhibit 27: SWOT Analysis

Strengths	Opportunities
Highly experienced leadership team	Opportunity to expand its D&I business in the UK/Europe, Asia and US
Longstanding established client relationships with major advertising agencies and media companies	Self-service platform opens up new customer fields for the group
Proprietary technology platform	Opportunity to acquire some smaller panels
Restructured balance sheet and aligned business	Opportunity to develop partner strategy along the lines of Raiz and Smart Fuel in NZ
Society emphasis on privacy plays to the strengths of panel companies	Opportunity to convert more revenues into subscription (SaaS) style revenues (currently 23%)
Very high level (85%) of repeat business	Asian expansion with the recent opening of a Singapore office
Weaknesses	Threats
Very small player in a sector dominated by global operators	Major players such as Dynata make a big push into Australia
Continuous need to invest in technology and panel	AI and machine learning could eventually replace the need for panels
Low barriers to entry, anyone can establish a business	Increasing regulation of information and privacy
Competitors are also suppliers of panel data	
Somewhat tied to advertising and marketing budgets which are cyclical	

Source: RaaS Analysis

Sensitivities

We highlight several sensitivities to Pureprofile's business:

- **Deal risk:** Our forecasts and valuation are predicated on the company completing the recapitalisation plan. Without the removal of its debt burden, we believe Pureprofile will struggle to grow the business organically and would have almost certainly no opportunity to expand through acquisition.
- **Key person risk:** There is potential key man risk if Pureprofile loses its new managing director, Martin Filz or members of the senior management team including Melinda Sheppard and John Griffin.
- **Panel quality risk:** The company relies on the quality of its panel to attract brands and market research clients. If this quality is ever compromised by fraud or failure to detect bots, Pureprofile's core business would be damaged.
- **Supplier risk:** Pureprofile sources outside panels from its competitors and therefore the company needs to ensure it has the right balance for payables/receivables to ensure that its suppliers are paid on time.
- **Currency risk:** A growing proportion of Pureprofile's business is being derived in the UK/Europe and US. While many costs are in local currency terms, Pureprofile will need to manage the currency translation for financial reporting.
- **Liquidity risk:** The recapitalisation of the company will result in Lucerne Composite Fund owning just under 50% of the issued capital which may result in reduced liquidity for the company's shares in the short-to-medium term.

Board and management

Directors

Andrew Edwards, Non-Executive Chairman, has, with the support of Chief Operating Officer Melinda Sheppard, led the company through its restructure over the past 2+ years. He has more than 30 years of marketing experience including as Chairman and CEO of advertising and marketing agency Leo Burnett Group UK and as President of Leo Burnett Central Europe. As part of the Global Executive Leadership team, he also was responsible for M&A (EMEA) and the rollout of the group's social and mobile strategy. Before joining Leo Burnett, Andrew ran Cartwright Williams, one of Australia's most awarded direct marketing companies.

Sue Klose, Independent Non-Executive Director brings more than two decades of digital media experience including stints as the publisher of News Limited's Carsguide, Director of Corporate Development for New Digital Media, and Director of Planning for the Tribune Company, including leading its e-commerce classifieds strategy. More recently, Sue held the positions of Head of Digital/Chief Marketing Officer at Grays Online and Chief Operating Officer at Michelle Bridges' 12WBT. She is currently also a non-executive director of Nearmap (ASX:NEA) and Stride Mental Health.

Martin Filz, Managing Director/Chief Executive Officer, joined the company and board in July 2020, and brings a wealth of experience in building data insights companies. Martin was most recently Managing Director and Chief Revenue Officer at Eureka AI, a business intelligence company, which in February successfully closed a Series B round to fund its global expansion. He previously has held senior executive roles with some of the leaders in online market research including as Managing Director, EMEA and APAC at Research Now which has been acquired by Dynata, and CEO of EMEA/APAC at the Kantar-owned Lightspeed GMI.

Management

Melinda Sheppard, Chief Operating Officer, joined Pureprofile from News Corporation in June 2018, initially taking on the position of Chief Financial Officer before being appointed COO in August 2019. Melinda is a qualified CPA and brings more than 20 years' experience in finance and leadership roles across a range of media and marketing companies including ninemsn; Mi9, the digital media JV between Microsoft and Nine Entertainment Group; online buying group Cudo, and financial comparison website RateCity.com.au.

John Griffin, Chief Technology Officer, has been leading Pureprofile's technology stack since July 2016. John brings more than two decades' experience in Chief Technology Officer positions at market research companies. Immediately prior to his role at Pureprofile, John was the Chief Technology Officer for Effective Measure, a position he held for almost three years, having previously been the CTO for Nielsen's SiteCensus, Director of Engineering for Nielsen/Netratings and CTO at RedSheriff.

Anna Meiler, Managing Director APAC, joined Pureprofile in October 2019 from UK market research group Mintel where she was Country Manager ANZ for almost three years and Business Development Manager ANZ prior to that. Before Mintel, Anna held senior account positions over several years with US-headquartered market research group Toluna Corporate.

Tim Potter, Managing Director UK and USA, was appointed to his current position in August 2019, having previously been responsible for Pureprofile's UK operations since January 2016. Prior to joining Pureprofile's UK operations in March 2014 as senior account director, Tim held several business and sales leadership roles at UK companies Maximiles Panels, ipoints and ITV.

Keith Ang, Client Solutions Director, Singapore, was appointed to this newly-created role in September 2020. He brings more than six years' experience in market research, most recently working at Kantar Profiles as Client Development Manager and previously at Nielsen.

Lorrie Yeung, Head of Operations, is also new to Pureprofile, having been appointed to the role in August 2020. She brings more than 12 years' experience in market research, having most recently been the Head of Research and Insights at Growth Ops. Prior to this Lorrie held leadership positions at Kantar-owned Lightspeed Research (+4.5 years) and Dynata-owned Research Now (+5.5 years).

Peer Comparison

Pureprofile is a digital marketing business focussed on delivering consumer insights to brands, corporates, government and market research companies to help them make better decision outcomes. There are a range of digital marketing companies listed on the Australian and New Zealand exchanges which compete for investor attention. These include Crowd Media Holdings (ASX:CM8), engage:BDR (ASX:EN1), Plexure Group (NZX:PLX), Rewardle (ASX:RXD), and Xted (ASX:XTD).

Crowd Media Holdings Ltd, formerly Crowd Mobile Limited, is a tech-based, vertically integrated social commerce business selling products and services to its customers. The company has an extensive digital influencer marketing agency and an influencer commerce platform.

engage:BDR is focused on integrating client platforms into its own programmatic platform enabling the dynamic buying and selling of advertising inventory through its online marketplace. The company also offers an Out-stream advertising product for publishers which has enabled publishers to create new advertising space on their website.

Plexure Group Limited, formerly VMob Group Limited, owns a digital marketing technology platform that analyses purchases and contextual data and tailors messaging to individual customers. The Plexure platform allows its corporate customers to measure every purchase transaction, alongside real-time data, such as location and weather conditions. Its platform consists of features, including analytics, adaptive machine learning, campaign manager, workflow builder, media library, consumer manager, content manager and push messaging.

Rewardle Holdings Limited is engaged in digital customer engagement platform for local small and medium-sized enterprises (SME) merchants. The Company is involved in the development of a social network that connects ~1m members with thousands of local businesses around Australia. The Rewardle Platform is a marketing and transactional platform that combines membership, points, rewards, mobile ordering and payments along with social media integrations, into a single cloud based platform managed by Big Data analysis.

XTD Limited operates in the Out-of-Home Advertising (OOH Advertising) sector and is focused on its 30 XTD digital screens in Melbourne's rail network. Its cross track digital media installations provide information for rail commuters, by station, including local weather, event details and news.

As the following exhibit highlights, the Australian and New Zealand peer group is trading at a substantial premium to Pureprofile in terms of both EV/Sales and EV/EBITDA, calculated on the peers' last financial year revenues and EBITDA. In comparison, Pureprofile is trading on 1.04x EV/sales and 15.6x EV/EBITDA based on its FY20 results.

Exhibit 28: Australian and New Zealand listed peers						
Company	Code	Local currency	Company Market Cap (M)	Enterprise value (M)	EV/Sales (Last FY) (x)	EV/EBITDA (Last FY) (x)
Crowd Media Holdings Ltd	CM8.AX	A\$	15.2	18.9	1.1	na
Engage:BDR Ltd	EN1.AX	A\$	10.3	15.5	0.9	12.2
Plexure Group Ltd	PLX.NZ	NZ\$	215.5	203.5	8.1	58.8
Rewardle Holdings Ltd	RXH.AX	A\$	3.7	3.6	6.1	na
XTD Ltd	XTD.AX	A\$	13.4	11.2	3.8	50.7
Median			13.4	15.5	3.8	50.7

Source: Thomson Reuters Eikon, RaaS analysis Prices as at 22 October 2020

We have looked at the international peers, which, while mostly substantially larger in terms of market capitalisation, can provide some guidance as to the EBITDA margins and NPAT margins that we could expect from Pureprofile in the medium term. This peer group has a longer history of profitability than the ANZ peers and is further along in its lifecycle.

Exhibit 29: International peers

Company	Code	Local currency	Market Cap (M)	Enterprise value (M)	EV/Sales	EV/EBITDA	PER	EBITDA margin 5 years	NPAT margin 5 years
Forrester Research Inc	FORR.O	US\$	728	791	1.7	20.2	48.9	10%	7%
Gartner Inc	IT	US\$	11,379	13,282	3.1	22.5	47.4	16%	9%
Informa PLC	INFL	GBP	6,585	9,240	3.2	9.1	8.4	33%	22%
Relx PLC	RELL	GBP	31,769	38,045	4.8	13.5	25.6	35%	22%
System1 Group PLC	SYS1.L	GBP	14	14	0.6	4.6	na	12%	5%
YouGov PLC	YOU.L	GBP	1,061	1,035	6.8	27.9	111.8	18%	12%
Median			3,823	5,137	3.2	16.9	47.4	17%	10%

Source: Thomson Reuters Eikon, RaaS analysis (Prices as at 22 October 2020)

As the table above demonstrates, the international peer group is trading on a median EV/sales of 3.2x and EV/EBITDA of 16.9x. The median EBITDA margin across the last 5 years is 17% while the 5 year median NPAT margin is 10%. Our expectation is for Pureprofile to improve its EBITDA margins from 7% in FY20 to 14% in FY22 and 21% in FY24. Similarly, we are forecasting an NPAT margin of 5% in FY22 and 12% in FY24.

Valuation

We have used the discounted cashflow methodology to value Pureprofile arriving at a base case valuation of \$48.9m or \$0.046/share. Our terminal value accounts for \$0.022/share in the valuation. As a sense check, our valuation implies an EV/Sales multiple of 1.7x on our FY21 revenue forecast and an EV/EBITDA multiple of 16.2x FY21. Both these multiples are below Pureprofile's ANZ and international peers.

Exhibit 30: DCF valuation

DCF valuation	Parameters
Discount Rate / WACC	14.5%
Beta	2.0
Equity Risk Premium	7.0%
Risk Free Rate	0.5%
Terminal growth rate	2.2%
CAGR in FCF FY21-30	25.3%
Sum of PV (A\$m)	24.3
PV of terminal Value (A\$m)	22.3
PV of Enterprise	46.6
Net Debt post restructure (based on cash at June 30)	(2.3)
Net Value - Shareholder	48.9
No of shares on issue	1057.7
NPV in A\$	\$0.046

Source: RaaS Analysis

Scenario analyses

Our financial model incorporates both an upside case and a downside case to reflect higher/lower growth forecasts. Our upside case assumes a 10-year CAGR in Revenue of 12.2% which, with growing revenues from the higher gross margin self-service platform, translates in a 10 year CAGR in EBITDA of 23.9%. Our downside case derives a 6.8% CAGR in revenues, and 19.4% CAGR in EBITDA, with our forecasts tempered at a lower rate of growth but still in the expectation that management will focus on developing the self-service platform as well as the core data and insights business.

Exhibit 31: Base case valuation, revenue and EBITDA forecasts versus downside/upside projections

	Base	Downside	Upside
DCF valuation/share	\$0.046	\$0.025	\$0.081
Revenue FY21	27.7	26.3	29.0
EBITDA FY21	2.9	2.0	3.9
Revenue FY30	67.8	51.1	91.8
EBITDA FY30	19.8	12.0	33.2
10 year CAGR in Revenue %	9.4%	6.8%	12.2%
10 year CAGR in EBITDA %	21.3%	19.4%	23.9%

Source: RaaS Estimates

Reverse DCF

We have applied the discounted cashflow methodology in reverse to determine the growth rate implied in Pureprofile's post recapitalisation market capitalisation. Applying a 14.5% weighted average cost of capital (derived from an equity risk premium of 7.0%, risk free rate of 0.5% - reflecting the 10-year Treasury bond rate, and a beta of 2.0), we arrive at net value of \$24.4m, applying a CAGR of 16.3% to free cashflows from FY22-30. This is well below the forecasted growth rate for this industry over the next few years.

Exhibit 32: Reverse DCF	
Reverse DCF Indicative Valuation	Parameters
Discount Rate / WACC	14.5%
Beta	2.0
Equity Risk Premium	7.0%
Risk Free Rate	0.5%
Terminal growth rate	2.2%
CAGR in FCF FY22-30	16.3%
Sum of PV (A\$m)	10.8
PV of terminal Value (A\$m)	11.3
PV of Enterprise	22.1
Net debt post restructure based on June 30 cash	(2.3)
Net Value - Shareholder	24.4
No of shares on issue	1057.7
NPV in A\$	0.023
Source: RaaS Analysis	

Exhibit 33: Financial Summary

Pureprofile						Share price (22 October 2020)						A\$	0.023													
Profit and Loss (A\$m)						Interim (A\$m)						H119F	H219F	H120A	H220A	H121F	H221F									
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	Revenue	13.8	12.9	13.2	11.1	12.7	15.0	EBITDA	(0.6)	(0.7)	0.9	0.8	0.3	1.0							
Sales Revenue	25.4	26.7	24.2	27.7	33.5	EBIT	(2.3)	(2.5)	(1.4)	(1.4)	(1.2)	(0.2)	Gross Profit	14.9	15.5	13.7	15.7	19.3	NPAT (normalised)	(4.0)	(3.9)	(3.1)	(3.8)	(2.4)	(0.3)	
EBITDA	(2.2)	(1.3)	1.6	2.9	4.8	Minorities	-	-	-	-	-	-	NPAT (reported)	(4.0)	(4.3)	(3.1)	(4.4)	(2.4)	(0.3)	EPS (normalised)	(3.34)	(3.28)	(2.63)	(3.20)	(0.22)	(0.03)
Depn	(0.2)	(0.1)	(1.0)	(0.2)	(0.1)	NPAT (reported)	(4.0)	(4.3)	(3.1)	(4.4)	(2.4)	(0.3)	EPS (reported)	(3.34)	(3.64)	(2.63)	(3.73)	(0.22)	(0.03)	Dividend (cps)	-	-	-	-	-	-
Amort	(2.5)	(3.3)	(3.3)	(2.5)	(2.4)	Imputation	30.0	30.0	30.0	30.0	30.0	30.0	Operating cash flow	(1.6)	(0.4)	(0.8)	2.3	(1.7)	1.1	Free Cash flow	(0.2)	2.4	0.4	3.4	(0.7)	2.1
EBIT	(5.0)	(4.8)	(2.7)	0.1	2.3	Minorities	0.0	0.0	0.0	0.0	0.0	0.0	Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	(7.3)	(7.9)	(6.8)	(1.1)	1.9	
Interest	(1.3)	(2.4)	(4.1)	(1.2)	(0.2)	Free Cash flow	(0.2)	2.4	0.4	3.4	(0.7)	2.1	Significant items	(18.6)	(6.5)	(2.7)	0.0	0.0	NPAT (reported)	(44.6)	(14.5)	(9.6)	(1.1)	1.9		
Tax	(0.8)	(0.4)	(0.0)	0.0	(0.1)	Divisions	H119F	H219F	H120A	H220A	H121F	H221F	Cash flow (A\$m)													
Minorities	0.0	0.0	0.0	0.0	0.0	Data & Insights	9.2	8.7	9.8	8.6	9.8	10.9	Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	EBITDA	(2.2)	(1.3)	1.6	2.9	4.8		
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Media	8.4	3.2	2.2	1.3	1.7	2.3	Interest	(2.3)	(2.2)	(0.3)	(1.2)	(0.2)	COGS	(5.9)	(5.3)	(5.7)	(4.8)	(5.6)	(6.4)	
NPAT pre significant items	(7.3)	(7.9)	(6.8)	(1.1)	1.9	Performance	5.9	0.8	0.9	0.9	0.8	0.9	Tax	(0.6)	(0.2)	(0.1)	0.0	(0.1)	Employment	(5.4)	(5.6)	(4.9)	(4.1)	(4.8)	(5.5)	
Significant items	(18.6)	(6.5)	(2.7)	0.0	0.0	Platform	0.3	0.2	0.2	0.3	0.4	0.8	Working capital changes	5.3	3.3	0.1	(1.5)	(1.3)	Technology, licence fees	(2.0)	(2.0)	(1.2)	(1.2)	(1.3)	(1.3)	
NPAT (reported)	(44.6)	(14.5)	(9.6)	(1.1)	1.9	Other costs	(1.1)	(0.8)	(0.8)	(0.7)	(0.8)	(0.8)	Operating cash flow	0.1	(0.4)	1.4	0.1	3.1	EBITDA	(0.6)	(0.7)	0.9	0.8	0.3	1.0	
Cash flow (A\$m)							Margins, Leverage, Returns	FY18A	FY19A	FY20A	FY21F	FY22F	Mtce capex	0.0	(0.1)	(0.0)	(0.1)	(0.1)	EBITDA	(2.2)	(1.3)	1.6	2.9	4.8		
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	EBITDA	(8.9%)	(4.9%)	6.7%	10.4%	14.3%	Free cash flow	0.1	(0.4)	1.4	(0.0)	3.0	EBIT	(19.6%)	(17.8%)	(11.2%)	0.3%	6.8%			
EBITDA	(2.2)	(1.3)	1.6	2.9	4.8	Net Debt (Cash)	(7.5)	(15.9)	(24.6)	(1.1)	(0.1)	Growth capex	(6.6)	(2.7)	(2.4)	(2.0)	(2.0)	NPAT pre significant items	(28.7%)	(29.7%)	(28.2%)	(4.1%)	5.7%			
Interest	(2.3)	(2.2)	(0.3)	(1.2)	(0.2)	Net debt/EBITDA (x)	(x)	n/a	(15.1)	(0.4)	(0.0)	Acquisitions/Disposals	(7.6)	0.7	0.0	0.0	0.0	Net debt/Equity (%)	(%)	56.1%	225.6%	412.9%	17.9%	2.1%		
Tax	(0.6)	(0.2)	(0.1)	0.0	(0.1)	EBIT interest cover (x)	(x)	n/a	n/a	13.0	0.1	Other	0.0	0.0	0.0	0.0	0.0	ROA	(19.2%)	(15.1%)	0.6%	16.6%				
Working capital changes	5.3	3.3	0.1	(1.5)	(1.3)	ROE	968.1%	69.6%	16.7%	37.3%	Cash flow pre financing	(14.1)	(2.5)	(1.0)	(2.0)	1.0	ROIC	(52.5%)	(27.4%)	0.6%	57.6%					
Operating cash flow	0.1	(0.4)	1.4	0.1	3.1	NTA (per share)	n/a	n/a	n/a	n/a	Equity	0.0	0.0	0.0	18.8	0.0	Working capital	(4.7)	(2.9)	(2.3)	(1.6)	(1.8)				
Mtce capex	0.0	(0.1)	(0.0)	(0.1)	(0.1)	WC/Sales (%)	(18.5%)	(10.7%)	(9.5%)	(5.6%)	(5.4%)	Debt	17.6	0.5	3.5	(15.3)	0.0	Revenue growth	5.4%	(9.3%)	14.2%	21.0%				
Free cash flow	0.1	(0.4)	1.4	(0.0)	3.0	EBIT growth pa	n/a	n/a	n/a	-103%	2313%	Dividends paid	0.0	0.0	0.0	0.0	0.0	Pricing	FY18A	FY19A	FY20A	FY21F	FY22F			
Growth capex	(6.6)	(2.7)	(2.4)	(2.0)	(2.0)	No of shares (y/e)	(m)	117	119	118	1,058	1,058	Net cash flow for year	3.5	(2.0)	2.5	1.5	1.0	Weighted Av Dil Shares	(m)	117	119	118	1,058	1,058	
Acquisitions/Disposals	(7.6)	0.7	0.0	0.0	0.0	EPS Reported	cps	(22.2)	(12.2)	(8.3)	(0.3)	0.0	Balance sheet (A\$m)													
Other	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	(15.9)	(5.1)	(0.2)	(0.3)	0.0	Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	EPS growth (norm/dil)	n/a	n/a	n/a	n/a	-112%		
Cash flow pre financing	(14.1)	(2.5)	(1.0)	(2.0)	1.0	EPS growth (norm/dil)	n/a	n/a	n/a	n/a	n/a	-	Cash	2.5	0.5	1.8	2.1	3.1	DPS	-	-	-	-	-		
Equity	0.0	0.0	0.0	18.8	0.0	DPS	cps	-	-	-	-	-	Accounts receivable	6.8	6.4	3.7	0.8	0.9	DPS Growth	n/a	n/a	n/a	n/a	n/a		
Debt	17.6	0.5	3.5	(15.3)	0.0	DPS Growth	n/a	n/a	n/a	n/a	n/a	n/a	Inventory	0.0	0.0	0.0	0.0	0.0	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%		
Dividends paid	0.0	0.0	0.0	0.0	0.0	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Other current assets	0.8	1.1	1.3	1.3	1.3	Dividend imputation	30	30	30	30	30		
Net cash flow for year	3.5	(2.0)	2.5	1.5	1.0	Dividend imputation	30	30	30	30	30	30	Total current assets	10.1	8.0	6.7	4.1	5.2	PE (x)	-	-	-	-	78.7		
Balance sheet (A\$m)							PE (x)	-	-	-	-	-	78.7	PPE	0.4	0.2	0.2	0.1	0.0	PE market	18.0	18.0	18.0	18.0	18.0	
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	PE market	18.0	18.0	18.0	18.0	18.0	18.0	18.0	Intangibles and Goodwill	19.1	11.1	7.4	6.9	6.5	Premium/(discount)	(100.0%)	(100.0%)	(100.0%)	337.0%		
Cash	2.5	0.5	1.8	2.1	3.1	Premium/(discount)	(100.0%)	(100.0%)	(100.0%)	337.0%	EV/EBITDA	-	4.5	-	12.7	15.6	8.8	5.1	ROA	(19.2%)	(15.1%)	0.6%	16.6%			
Accounts receivable	6.8	6.4	3.7	0.8	0.9	EV/EBITDA	-	4.5	-	12.7	15.6	8.8	5.1	Investments	0.0	0.0	0.0	0.0	0.0	FCF/Share	cps	0.1	-0.3	1.2	0.0	0.3
Inventory	0.0	0.0	0.0	0.0	0.0	FCF/Share	cps	0.1	-0.3	1.2	0.0	0.3	7.7	Deferred tax asset	0.4	0.0	0.0	0.0	0.0	Price/FCF share	34	-	9	1.9	126.1	7.7
Other current assets	0.8	1.1	1.3	1.3	1.3	Price/FCF share	34	-	9	1.9	126.1	7.7	12.9%	Other non current assets	0.0	0.0	2.4	2.4	2.4	Free Cash flow Yield	3.0%	(11.6%)	53.7%	0.8%	12.9%	
Total current assets	10.1	8.0	6.7	4.1	5.2	Free Cash flow Yield	3.0%	(11.6%)	53.7%	0.8%	12.9%	Total Assets	30.0	19.4	16.7	13.4	14.2	Net Assets	5.9	(8.9)	(18.7)	5.0	5.3			
PPE	0.4	0.2	0.2	0.1	0.0	Net Assets	5.9	(8.9)	(18.7)	5.0	5.3	Accounts payable	11.5	9.3	6.0	2.3	2.7	Share capital	41.8	41.5	41.5	67.8	67.8			
Intangibles and Goodwill	19.1	11.1	7.4	6.9	6.5	Share capital	41.8	41.5	41.5	67.8	67.8	Short term debt	0.0	16.5	24.4	1.2	1.2	Accumulated profits/losses	(36.1)	(50.6)	(60.4)	(63.0)	(62.7)			
Investments	0.0	0.0	0.0	0.0	0.0	Accumulated profits/losses	(36.1)	(50.6)	(60.4)	(63.0)	(62.7)	Tax payable	0.3	0.1	0.0	0.0	0.0	Reserves	0.2	0.3	0.2	0.2	0.2			
Deferred tax asset	0.4	0.0	0.0	0.0	0.0	Reserves	0.2	0.3	0.2	0.2	0.2	Other current liabilities	2.2	2.3	2.8	2.8	2.8	Minorities	0.0	0.0	0.0	0.0	0.0			
Other non current assets	0.0	0.0	2.4	2.4	2.4	Minorities	0.0	0.0	0.0	0.0	0.0	Total current liabilities	14.0	28.2	33.2	6.3	6.7	Total Shareholder funds	5.9	(8.9)	(18.7)	5.0	5.3			
Total non current assets	19.9	11.3	10.0	9.3	8.9	Total current liabilities	14.0	28.2	33.2	6.3	6.7	Long term debt	10.0	0.0	2.0	2.0	2.0									
Total Assets	30.0	19.4	16.7	13.4	14.2	Long term debt	10.0	0.0	2.0	2.0	2.0	Other non current liabs	0.1	0.1	0.1	0.1	0.1									
Accounts payable	11.5	9.3	6.0	2.3	2.7	Other non current liabs	0.1	0.1	0.1	0.1	0.1	Total long term liabilities	10.1	0.1	2.1	2.1	2.1									
Short term debt	0.0	16.5	24.4	1.2	1.2	Total long term liabilities	10.1	0.1	2.1	2.1	2.1	Total Liabilities	24.1	28.3	35.4	8.5	8.9									
Tax payable	0.3	0.1	0.0	0.0	0.0	Total Liabilities	24.1	28.3	35.4	8.5	8.9	Net Assets	5.9	(8.9)	(18.7)	5.0	5.3									
Other current liabilities	2.2	2.3	2.8	2.8	2.8	Net Assets	5.9	(8.9)	(18.7)	5.0	5.3	Share capital	41.8	41.5	41.5	67.8	67.8									
Total current liabilities	14.0	28.2	33.2	6.3	6.7	Share capital	41.8	41.5	41.5	67.8	67.8	Accumulated profits/losses	(36.1)	(50.6)	(60.4)	(63.0)	(62.7)									
Long term debt	10.0	0.0	2.0	2.0	2.0	Accumulated profits/losses	(36.1)	(50.6)	(60.4)	(63.0)	(62.7)	Reserves	0.2	0.3	0.2	0.2	0.2									
Other non current liabs	0.1	0.1	0.1	0.1	0.1	Reserves	0.2	0.3	0.2	0.2	0.2	Minorities	0.0	0.0	0.0	0.0	0.0									
Total long term liabilities	10.1	0.1	2.1	2.1	2.1	Minorities	0.0	0.0	0.0	0.0	0.0	Total Shareholder funds	5.9	(8.9)	(18.7)	5.0	5.3									
Total Liabilities	24.1	28.3	35.4	8.5	8.9	Total Shareholder funds	5.9	(8.9)	(18.7)	5.0	5.3															

Source: RaaS Advisory

FINANCIAL SERVICES GUIDE

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of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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- how we transact with you
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