Research as a Service

Bell Financial Group Ltd

H1 FY24 Result and Outlook

Well placed for continued growth in H2

Financial Services

Bell Financial Group Ltd (ASX:BFG) is a diversified provider of financial products and software solutions within, and increasingly outside, its traditional full-service stockbroking business. BFG has reported H1 FY24 (RaaS adjusted) revenue growth of 18% (to $140.6m), PBT growth of 44% (to $21.7m) and NPATA growth of 44% (to $19.5m). These numbers were ~15% below RaaS estimates, due mainly to a $1m non-recurring rebate in the previous corresponding period (pcp), a lower margin lending net interest margin and cost under estimation. Key themes of recurring revenue growth, higher net interest income and a recovery in retail and institutional revenue and earnings played out over the half. BFG appears well placed for continued growth in H2 FY24 with a margin lending book 9% higher than the pcp, a Portfolio Administration Services (PAS) & Super balance 13% higher than the pcp, stable interest rates and a relatively stable but much improved equity market. We have revised our numbers to reflect higher cost and funding assumptions, reducing EPS forecasts by 5% to 10% over the forecast period. Our Sum-of-The-Parts valuation remains $2.25/share, with higher multiples in margin lending and Technology & Platforms offset by lower earnings assumptions.

Business model

BFG is a diversified financial services business incorporating a traditional stockbroking business (retail, institutional and corporate), and a range of financial product offerings including margin lending, portfolio administration, trade execution, clearing and settlement, and cash management. The business is supported by ~100 IT professionals who have developed internal systems for account management (Fusion) and cloud-based trading platforms for Bell Direct. This platform forms the foundation for external offerings to financial planners (Desktop Broker), white labelling and third-party clearing. The company says more intermediaries will be targeted for these products, and more products and services added to complete the offering and monetise the investment already made.

Resilient equity markets set to support H2 FY24

BFG should be able to cycle weak equity trading volumes in H2 FY23 given the improved momentum from H1 FY24. Markets are supported by recent decline in 10-year bond yields, which are at a lower level currently (3.98%) than at any stage during H2 FY23. We forecast ECM activity to remain solid, albeit a fraction below H2 FY23, with IPO activity continuing to be the missing driver. PAS balances and the margin lending book start the half at record highs and should support improved earnings on relatively stable fees. New product developments and a push to sign new external clients should also be more evident in H2 FY24, in our view.

Valuation of $2.25/share or $717m market cap

Given the different earnings streams and drivers of the BFG business we use a Sum-of-The-Parts (SoTP) methodology to value BFG. Using FY24f LSEG consensus peer multiples and company guidance when consensus is not available, we maintain a valuation of $2.25/share. Key to this valuation is through-the-cycle PBTA assumptions for Retail and Institutional, a separate DCF valuation for Portfolio/Super Administration Service (PAS) earnings and smaller 'platform' peer multiples for the Technology & Platform division.

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

Year end	Revenue	PBTA adj.	NPATA adj.	EPS adj.	P/E (x)	EV/PBTA (x)	Yield (%)
12/22a	241.3	43.5	32.2	0.101	14.3	8.0	4.9
12/23a	248.4	39.7	28.7	0.090	16.0	8.7	4.9
12/24f	279.2	52.9	37.4	0.117	12.3	6.0	5.6
12/25f	287.9	61.0	42.7	0.134	10.7	4.8	6.3

Source: Company data for actuals, RaaS estimates FY24f and FY25f

19 August 2024

Share Details

ASX code	BFG
Share price (16-Aug)	$1.44
Market capitalisation	$459.0M
Shares on issue	318.7M
Cash at 30-Jun-24	$111.5M
Free float	~40%

Share Performance (12 Months)

Upside Case

- Expand avenues to market for commercially available solutions and products
- New products through existing channels
- ECM and ASX activity improvements

Downside Case

- Prolonged ECM downturn
- Regulatory breaches
- Severe ASX correction

Catalysts

- New platform distribution partnerships
- New customers for Clearing and Technology
- Evidence of improved ECM activity

Board of Directors

Brian Wilson AO	Independent Chair
Graham Cubbin	Independent Director
Alastair Provan	Non-Executive Director
Christine Feldmanis	Non -Executive Director
Andrew Bell	Executive Director

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H1 FY24 Result Summary By Division

Technology and Platforms

Under the trading entity **Third Party Platforms** Pty Ltd (TPP), BFG has built a cloud-based end-to-end execution and settlement platform which underpins Bell Direct (online), Bell Direct Advantage (HNW), Desktop Broker (Financial Planners), and white-label online broking (Macquarie and HSBC).

The division also derives income from **Third-Party Clearing**, which is the clearing, settlement, and movement of funds for both Bell Potter Securities (100% from March 2023), Macquarie and other parties (including users of Desktop Broker).

Technology & Platforms represented 23% of group NPATA in H1 FY24, and delivered revenue growth of 10% but an NPATA decline of 6% as the pcp included a non-recurring $1m rebate for the CHESS Replacement Partnership Program, and also saw a $1m reallocation of group overheads in H1 FY24. Excluding these anomalies BFG estimates a 7.6% increase in revenue and 23% increase in NPAT over the period.

TPP revenue increased 14% on the back of improved equity market conditions (more clearing activity).

Products and Services

The Products and Services division is made up of two distinct businesses: **Portfolio/Super Administration Service (PAS),** deriving revenue from the administration of funds and/or portfolios under advice, and **Margin Lending,** essentially the net revenue (interest charge less cost of interest and overheads) from the margin lending book.

The combination of more sponsored clients opting for PAS services and a higher equity market (+2.3% on December 2023) boosted funds under management (FUM) to a record $5.2b at June 2024, + 13% on June 2023.

Improved market conditions over the past 12-months resulted in the margin lending book increasing 9% on June 2023 to a record $575m. The net interest income margin (NIM) declined from 4.0% to 3.5% over the half on the back of a higher funding mix from the banking facility relative to the Bell Financial Trust.

Divisional revenues increased 10%, but divisional NPATA grew 3% as the NIM decline in margin lending weighed on divisional margins. Product & Services represented 35% of H1 FY24 NPATA.

Retail/Institutional

The Retail and Institutional division is the traditional full-service stockbroking business deriving revenue from brokerage (predominantly equities but also options, and FX), ECM activity and interest income.

We believe the fee income (ECM) side of the business is the key to profitability as ECM fees are materially higher than vanilla brokerage fees, particularly the ex-100 space that Bell Potter specialises in.

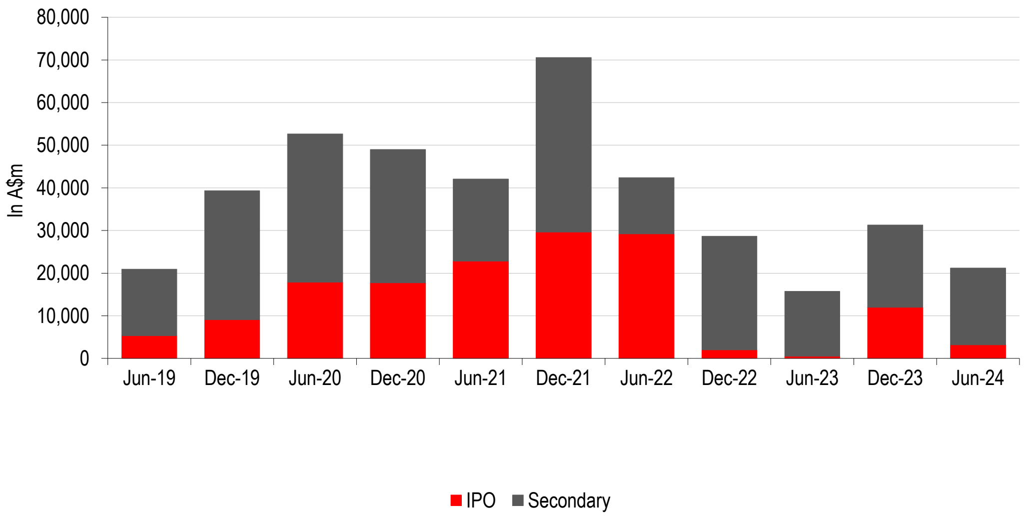
Combined Retail/Institutional revenue increased 24% and combined NPATA (excluding investment losses) increased ~400% (to $7.6m) on the back of continued improvement in ECM activity and improved vanilla brokerage.

Assuming an average 4% fee, ECM activity picked up significantly over H2 FY23 and resulted in ~$800m of ECM activity for Bell Potter Capital, growing to ~$930m in H1 FY24, with raises including a $250m placement for Deep Yellow (ASX:DYL), $90m for Propel Funeral Partners (ASX: PFP), $100m for Droneshield (ASX:DRO), $50m for Iperionx (ASX:IPX) and $175m for Alpha HPA (ASX:A4N).

Using ASX ECM data, RaaS estimates a Bell Potter Capital market share of 5.2% in H1 FY24, up from 4.1% in H2 FY23 and 4.0% in H1 FY23.

Fees were split 85%/15% between Institutional and Retail, the largest skew to Institutional for at least the past five-years.

Exhibit 1: Initial and secondary ECM activity on the ASX

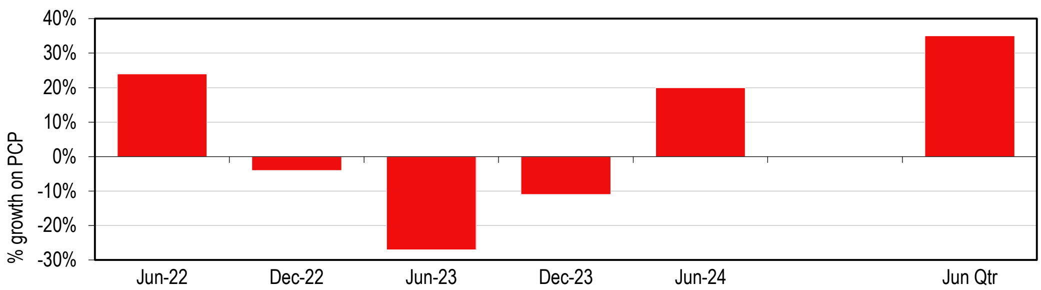


Source: ASX

Equity trading conditions measured by ASX trading volumes have improved significantly from a tough FY23, which was down 20% on FY22. H1 FY24 trading volumes, according to the ASX, were up 20% on H1 FY23 and up 35% in Q2 FY24 relative to Q2 FY23.

These numbers are evident in the brokerage revenues for Bell Potter Capital in H1 FY24 with Retail brokerage +9% on the pcp and Institutional +10% on the pcp.

Exhibit 2: Growth in the number of ASX secondary-market equity trades



Source: ASX

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Exhibit 3: BFG H1 FY24 Result (in A$m unless otherwise stated)

Variable (A$000')	H1 FY23	H1 FY24	% Chg	Comments
Revenue	**118.7**	**140.6**	**18**	
Technology & Platforms	11.0	12.1	10	Continued steady growth
Products & Services	11.3	12.5	10	Continued steady growth
Retail	50.7	53.0	5	Lower ECM fees, higher brokerage
Institutional	21.2	36.2	71	Strong ECM fee split
Interest Income	23.1	26.7	16	Higher interest rates
Other income	1.4	0.2	(89)	
Operating costs	88.3	97.4	5	
Finance costs	7.3	12.1	8	Higher interest rates
EBTDA	**23.1**	**31.1**	**35**	
Depreciation	0.6	0.4		
Depreciation (RoU)	3.3	3.4		
Amortisation	1.4	1.6		
PBT	**17.9**	**25.7**	**44**	
less tax *	5.6	7.8		Adjusted for investment losses
add amortisation	1.4	1.6		
Adjusted NPATA	**13.6**	**19.5**	**44**	
Adjustments *	(1.2)	(1.3)		Tax adjusted investment losses
Reported NPAT	11.1	16.6	50	
Divisional NPAT	**13.6**	**19.5**	**44**	
Technology & Platforms	6.2	5.8	(6)	PCP included non-recurring rebate of $1.0m
Products & Services	5.9	6.1	3	Margin lending interest margin squeeze
Retail	(1.6)	0.2	nm	
Institutional *	3.1	7.4	138	Excludes investment losses, strong ECM activity

Source: Company announcements, RaaS estimates* (relating to treatment of investment losses)

H2 FY24 Outlook

Key assumptions and points of interest that underpin our revised FY24 estimates include:

- **ECM raisings of $850m assumed over H2 FY24**, which is 8% above our estimates for H2 FY23 but 9% lower than our estimates for H1 FY24. We assume an average 4% fee to derive fee income.
- **High-single-digit growth in brokerage volumes** cycling a low H2 FY23 base, where ASX volumes declined 11%.

  Higher volumes are key for Retail, Institutional, and Technology & Platforms, with Bell Direct, Desktop Broker and White label all brokerage revenue share models.

- **Stable cash rate of 4.35%** which should result in an interest rate ~20bps higher in H2 FY24 relative to H2 FY23. While funding costs will also increase, we expect net interest income in FY24 to be higher than FY23, benefitting cash at bank (Retail division) and net interest on client funds (Technology & Products division).

  Medium-term we assume a sustainable cash rate of 3.6%, with reductions beginning H1 FY25.

- **Strong starting positions in the PAS and margin lending book.** The $5.2b and $575m PAS and margin lending book respectively represent a 13% and 9% increase on the pcp respectively in the average balances before any new client additions or market growth.

  Increased penetration of margin lending into the existing client base is a key focus for management, with increased PAS penetration likely to be a heightened focus in FY25, in our view. Both products have ~<10% penetration into existing accounts currently.

- **Market direction.** While not explicitly forecasting a level for the ASX200 or the All Ordinaries in FY24 or beyond these indexes have held up remarkably well so far in the face of inflation, cost-of-living increases and geopolitical uncertainties. The ASX is currently up 1.2% since June 2024 while Australian 10-year bond yields are down 48bps to 3.92% over the same period.

- **New product development.** International trading was soft launched in February 2024 and should be a complementary fit for clients within Technology & Platforms. The company says other new products are being considered with a combination of build, buy and rent likely to complete the existing offering.

Key changes to RaaS estimates are listed in Exhibit 4 below, with modest changes at the revenue, PBTA and EPS lines over the forecast period.

Exhibit 4: RaaS BFG earnings adjustments (in A$m unless stated)

Variable	FY24f	FY25f	FY26f	Comments
Revenue				
Previous	274.3	282.5	275.7	Mainly retail brokerage
Revised	279.2	287.9	281.7	
% CHG	2	2	2	
Adj. PBTA				
Previous	59.4	66.6	64.4	Adjustment to cost estimates
Revised	52.9	61.0	61.2	
% CHG	(11)	(8)	(5)	
Adj. EPS				
Previous	0.130	0.146	0.141	EPS changes = PBT changes
Revised	0.117	0.134	0.135	
% CHG	(10)	(8)	(5)	

Source: RaaS estimates

Divisional forecasts between FY22a and FY26f are presented below

Exhibit 5: BFG P&L summary CY22-CY26f (in A$m unless stated)

Year-ended December 31	2022	2023	2024f	2025f	2026f
Revenue	**239.7**	**246.4**	**278.5**	**286.9**	**280.7**
Technology & Platforms	23.9	22.6	25.1	26.9	27.4
Products & Services	22.2	23.1	26.1	28.6	30.7
Retail	113.5	100.1	105.0	109.1	109.0
Institutional	46.8	50.6	68.0	66.3	61.0
Interest income	33.3	49.9	54.4	56.1	52.7
Operating costs	189.9	200.7	217.9	218.1	211.5
EBITDA	**51.4**	**47.7**	**61.3**	**69.8**	**70.2**
D&A	10.7	11.0	11.6	12.0	12.2
PBT	40.8	36.8	49.7	57.8	58.0
Technology & Platforms	8.6	11.5	11.9	13.3	13.5
Products & Services	15.2	16.9	18.3	22.6	26.4
Retail	3.4	(4.0)	2.0	5.1	5.2
Institutional	8.4	9.8	18.4	17.9	14.2
Tax expense	11.3	11.0	15.6	18.3	18.4
NPAT	29.5	25.7	34.1	39.5	39.7
NPATA	**32.2**	**28.7**	**37.4**	**42.7**	**42.9**
Adjustments	(3.8)	(1.4)	(1.3)	0.0	0.0
Reported NPAT	**25.7**	**24.3**	**32.8**	**39.5**	**39.7**

Source: Company data for actuals, RaaS estimates for FY24f-FY26f

Listed Peer Update

Exhibit 6 summarises the key financial metrics of selected peers for FY24f which we use to select the appropriate multiples for our Sum-of-The-Parts (SoTP) valuation of BFG given the varying revenue and earnings streams.

For companies without consensus earnings (SEQ and CAF) we use their latest FY24 guidance, while FY24 guidance is unavailable for EZL and EP1.

Exhibit 6: Peer group FY24f financial comparison (in A$m unless otherwise stated)

Company Name	Ticker	Share price (cps)	Mkt. cap.	Net debt (cash) @ Dec-23	Adj. pre AASB16 PBTA	Revenue	Adj. EPS (cps)	Adj. PBTA (x)	PER (x)	Yield (%)
Platforms						**Average**		**28.3**	**44.4**	**2.1**
						Small Avg		**17.0**	**26.8**	**3.2**
Netwealth	NWL	21.75	5,303	(109.4)	123.9	255	0.34	42.8	63.8	1.3
Hub24	HUB	49.47	4,032	(42.8)	111.2	329	0.82	36.2	60.2	0.8
Iress	IRE	10.49	1,958	375.2	86.6	624	0.32	22.6	33.1	2.3
Praemium	PPS	0.43	216	(46.2)	18.9	82	0.02	11.4	20.5	4.2
Stockbroking						**Average**		**na**	**na**	**na**
Euroz Hartleys	EZL	0.89	147	(92.3)	na	na	na	na	na	na
E&P Financial Group	EP1	0.45	107	(38.8)	na	na	na	na	na	na
Other financial						**Average**		**9.8**	**13.5**	**6.3**
MA Financial #	MAF	4.40	785	64.0	70.4	304	0.28	11.1	17.5	3.9
Sequoia Financial *	SEQ	0.41	54	(23.2)	8.4	130	0.05	6.4	8.9	11.0
Centrepoint Alliance *	CAF	0.30	59	(15.6)	7.8	36	0.03	7.6	9.4	8.3
Bell Financial #	**BFG**	**1.44**	**459**	**(114.3)**	**58.3**	**287**	**0.13**	**7.9**	**11.2**	**5.6**

Sources: Company guidance; *- LSEG and RaaS estimates (BFG); Prices as of 16 August 2024; # December year-end

Looking at BFG relative to the peer group using FY24f consensus data from LSEG we would highlight the following:

- Trading at a 54% PBTA discount to our selected 'smaller' platform players, being IRE and PPS;
- Trading at a 6% PBTA discount to our selected 'other financial' peer group; and
- Has a solid net cash position, which is a feature of most stockbroking peers.

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Valuation

Sum of The Parts

Given the mix of growth businesses such as Technology & Platforms, the recurring nature of businesses within Products & Services, and the cyclical nature of Retail & Institutional we believe a Sum-of-The-Parts valuation is the most appropriate valuation methodology for BFG.

For Technology & Platforms, we use the average FY24f PBTA LSEG consensus forecast multiple of the two smaller platform operators Iress (ASX:IRE) and Praemium (ASX:PPS) which have similar revenue drivers, operating leverage and market capitalisation, in our view.

For the Margin Lending business within Products & Services, we apply a 20% premium to the average regional bank FY24f PBT multiple (8.6x) using LSEG consensus data to reflect what we see as the superior credit history, net interest margin and ROE of this product.

For the PAS & Super business within Products & Services, we have conducted a standalone DCF valuation for this product given the recurring nature of this income, low capex, low working capital and growth visibility relative to other divisions. As a result, we apply a divisional beta of 0.8x against a group beta of 1.1x. Our numbers assume just 20% (or $7b) of Bell Potter's $40.7b in funds under administration (FUA) adopt the PAS fee option by FY31 against $5.2b currently.

For the combined Retail/Institutional businesses, we have applied the 'other financials' peer multiple of 8.4x to through-the-cycle earnings based on financial years FY21-FY23 inclusive, which incorporates both strong and weak trading environments. Interestingly our forecast FY24 PBT is in-line with these through the cycle assumptions.

While some divisions provide the environment for other divisions to thrive (Retail for example provides the FUA advice for PAS and leads for Margin Lending), we think the SoTP exercise is useful in identifying and highlighting the varying nature of revenue and earnings streams by product.

Our valuation remains $2.25/share, with higher multiples offsetting lower earnings assumptions since our last update. Key to this valuation is through-the-cycle PBTA assumptions for Retail & Institutional, a separate DCF valuation for the PAS division and 'platform' peer multiples for the Technology & Platform division.

Exhibit 7: BFG Sum-of-The-Parts valuation – FY24 A$m unless otherwise stated

Division	CY24 adj. PBTA	PBTA multiple (x)	Valuation	Comments
Technology & Platforms	10.9	17.0	185	Avg. of IRE and PPS, includes amort.
Products & Services	17.0	14.6	248	
Margin Lending	8.0	10.4	83	20% premium to regional bank average
PAS & Super	9.0	18.4	166	Standalone DCF
Retail *	5.0	8.4	42	Through-the-cycle PBTA * other financial
Institutional *	15.0	8.4	126	(FY21-FY23 inclusive)
Group total	64.9		**601**	
Add net cash (Jun-24)			111	
VALUATION			**712**	
Shares on issue			319	
EQUITY VALUE			**$2.25**	

Source: RaaS estimates; *Average of FY21-FY23 inclusive

Investment Case Revisited

BFG has built a diversified earnings stream across multiple product streams, many at or approaching scale and therefore operating leverage. Despite this, we believe the group is arguably still seen and being valued as a traditional full-service stockbroker. Consider the following:

- 83% of group FY23 NPATA came from divisions outside of traditional full-service broking, being Technology & Platforms, and Products & Services. This compared to 40% for listed stockbroking peer E&P Group and 0% for Euroz Harleys, highlighting the continued shift in the business composition over recent years.
- The Retail division experienced a $5.4m PAT decline over the 12 months to December 2023 on the back of weak ASX trading volumes and lower ECM activity. Such a decline has aided the mix of non-stockbroking business but provides significant earnings leverage to improved equity market conditions, and we have seen this already on H1 FY24 with Retail/Institutional NPATA +400% on the pcp.
- Having the internal on-line trading platform (Bell Direct) and having developed an execution and settlement offering for financial planners (Desktop Broker), there is an opportunity to add additional products and services to these solutions and integrate with more platforms, offering a more compelling service and new revenue streams. International trading was soft launched in February while existing products such as margin lending and portfolio administration have platform attraction, in our opinion.
- BFG appears to have significant cash at bank for regulatory requirements, significant client cash holdings on its balance sheet and a large and robust margin lending book that derives significant and consistent net interest income. BFG as a result should be a net beneficiary of higher interest rates.
- Market downturns and industry consolidation may provide further opportunities for Third-Party Clearing, and Technology & Platforms as players look to cut costs and improve efficiencies.
- BFG is trading on an FY24f EV/PBTA discount to each of our defined financial segments on our estimates, being small platforms (54% discount) and other financial (9% discount). We note BFG offers top quartile dividend yields relative to our selected peer group.

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Exhibit 8: BFG Financial Summary

Bell Financial Group (ASX:BFG)					
Profit and Loss (A$m)					
Y/E 31 Dec	**FY21A**	**FY22A**	**FY23A**	**FY24F**	**FY25F**
Operating Revenue	269.1	206.4	196.5	224.1	230.8
Finance/Other Income	23.7	34.9	51.9	55.0	57.1
Total Revenue	**292.8**	**241.3**	**248.4**	**279.2**	**287.9**
EBITDA	75.4	51.4	47.7	61.3	69.8
Depn	(0.6)	(1.0)	(0.8)	(1.0)	(1.1)
RoU	(8.3)	(6.9)	(7.2)	(7.4)	(7.6)
Amortisation	(2.7)	(2.7)	(3.0)	(3.2)	(3.2)
PBT	**63.8**	**40.8**	**36.8**	**49.7**	**57.8**
Tax	(19.0)	(11.3)	(11.0)	(15.6)	(18.3)
(Tax Rate)	30%	28%	30%	31%	32%
NPATA normalised	**47.5**	**32.2**	**28.7**	**37.4**	**42.7**
Adjustments	(1.1)	(3.8)	(1.4)	(1.3)	0.0
NPAT (reported)	**43.7**	**25.7**	**24.3**	**32.8**	**39.5**
Cash flow (A$m)					
Y/E 31 Dec	**FY21A**	**FY22A**	**FY23A**	**FY24F**	**FY25F**
Adj EBTDA (after rent)	65.0	47.0	42.5	53.9	62.2
Tax	(21.6)	(12.1)	(10.6)	(15.6)	-18.3
Working Capital	40.8	-7.6	-87.1	17.1	9.0
Other	(10.0)	(24.7)	9.4	0.0	0.0
Operating cash flow	**74.2**	**2.6**	**(45.9)**	**55.4**	**52.9**
Mtce capex	(1.0)	(0.4)	(0.8)	(0.9)	-0.9
Acquisition of Investments	-9.5	-10.8	-4.4	-3.7	0.0
Proceeds from Investments	9.6	5.2	1.4	5.6	0.0
Free cashflow	**73.3**	**(3.5)**	**(49.7)**	**56.4**	**52.0**
Equity	(1.7)	(1.4)	0.0	0.0	0.0
Borrowings	95.6	(0.0)	0.0	0.0	0.0
CHG in Client Cash Balance	43.6	-19.7	-68.9	0.0	0.0
CHG in Margin Loans	-63.5	37.8	-49.2	0.0	0.0
CHG in borrowings	52.0	-48.0	130.0	25.7	36.1
Net Dividends paid	(35.3)	(28.9)	(24.1)	(25.5)	-25.5
Change in cash	**164.1**	**(63.6)**	**(61.9)**	**56.7**	**62.5**
Balance sheet (A$m)					
Y/E 31 Dec	**FY21A**	**FY22A**	**FY23A**	**FY24F**	**FY25F**
Cash	136.5	110.3	114.3	142.2	166.7
Client cash	216.2	151.0	118.9	126.3	133.8
Trade receivables	100.9	151.0	118.9	126.3	133.8
Other receivables	180.7	102.8	57.7	61.3	64.9
Financial Assets	13.3	15.6	15.6	19.3	19.3
Loan advances	534.0	495.8	546.1	592.3	628.3
RoU assets	12.2	45.5	40.0	32.6	25.0
Goodwill	130.4	130.4	130.4	130.4	130.4
Intangibles	14.8	15.5	15.5	15.3	14.1
Other assets	7.9	36.1	(8.7)	(12.6)	(16.2)
Total Assets	**1,347.0**	**1,254.0**	**1,148.8**	**1,233.3**	**1,300.1**
Trade payables	132.5	168.9	152.7	169.3	181.2
Other payables	324.8	253.1	104.9	116.3	124.6
Bell Financial Trust	481.1	461.4	392.5	392.5	392.5
Cash Advance Facility	92.0	44.0	174.0	199.7	235.8
Lease Liability	16.3	52.0	48.5	48.5	48.5
Employee Benefits	58.9	37.2	38.4	41.7	41.7
Other	2.4	1.9	2.3	22.5	19.0
Total Liabilities	**1,108.0**	**1,018.6**	**913.4**	**990.6**	**1,043.4**
Net Assets	**239.0**	**235.4**	**235.4**	**242.8**	**256.8**
Share capital	204.2	204.2	204.2	204.2	204.2
Other Equity	(28.9)	(28.9)	(28.9)	(28.9)	(28.9)
Reserves	(0.6)	(1.0)	(1.2)	(1.2)	(1.2)
Retained Earnings	64.2	61.0	61.3	68.6	82.6
Total Shareholder funds	**239.0**	**235.4**	**235.4**	**242.8**	**256.8**

Share price (16 August 2024)					A$	1.440
Interim (A$m)	**H122A**	**H222A**	**H123A**	**H223A**	**H124F**	**H224F**
Revenue	111.8	129.5	118.7	129.7	140.6	138.5
EBITDA	21.8	29.7	23.1	24.6	31.1	30.6
EBIT	16.1	24.7	17.9	18.9	25.7	24.4
NPATA (normalised)	**14.7**	**20.2**	**15.0**	**16.7**	**21.2**	**19.8**
Adjustments	(2.8)	(1.0)	(1.2)	0.3	(1.3)	0.0
NPAT (reported)	11.9	19.2	13.8	16.9	19.8	19.8
EPS (adjusted)	0.046	0.063	0.047	0.052	0.066	0.062
Dividend (cps)	0.025	0.045	0.030	0.040	0.040	0.040
Imputation	30.0	30.0	30.0	30.0	30.0	30.0
Operating cash flow	na	na	na	na	na	na
Free Cash flow	na	na	na	na	na	na
Divisionals	**H122A**	**H222A**	**H123A**	**H223A**	**H124F**	**H224F**
Revenue	**111.8**	**129.5**	**118.7**	**129.7**	**140.6**	**138.5**
Technology & Platforms	12.3	11.6	11.0	11.6	12.1	12.9
Products & Services	11.3	10.9	11.3	11.8	12.5	13.6
Retail	57.9	55.6	50.7	49.4	53.0	52.0
Institutional	16.9	29.9	21.2	29.5	36.2	31.8
Interest/Other	13.4	21.5	24.5	27.4	26.9	28.2
Profit After Tax	**9.2**	**16.5**	**12.1**	**12.3**	**18.0**	**17.6**
Technology & Platforms	2.3	3.9	4.6	3.6	4.1	4.2
Products & Services	5.4	5.7	5.9	6.1	6.2	6.7
Retail	0.8	1.6	- 1.6	- 1.3	0.2	1.2
Institutional	0.7	5.3	3.1	3.9	7.4	5.5
PAT %	**8.3%**	**12.7%**	**10.2%**	**9.5%**	**12.8%**	**12.7%**
Margins, Leverage, Returns		FY21A	FY22A	FY23A	FY24F	FY25F
EBITDA margin %		25.8%	21.3%	19.2%	22.0%	24.2%
EBIT margin %		21.8%	16.9%	14.8%	17.8%	20.1%
NPAT margin (pre significant items)		16.2%	13.3%	11.5%	13.4%	14.8%
Net Debt (Cash)		- 136.49	- 110.31	- 114.29	- 142.24	- 166.69
Net debt/EBITDA (x)	(x)	-1.8	-2.1	-2.4	-2.3	-2.4
ND/ND+Equity (%)	(%)	(57.5%)	(47.3%)	(49.0%)	(59.2%)	(65.5%)
EBITDA interest cover (x)	(x)	-0.6	-0.5	-0.4	-0.4	-0.4
ROA		9.5%	3.1%	3.1%	4.2%	4.6%
ROE		18.3%	10.9%	10.3%	13.5%	15.4%
NTA (per share)		0.29	0.28	0.28	0.30	0.35
Working capital		184.6	133.2	85.2	83.3	86.3
WC/Sales (%)		**68.6%**	**64.5%**	**43.3%**	**37.2%**	**37.4%**
Revenue growth			(23.3%)	(4.8%)	14.1%	3.0%
EBIT growth pa			(36.1%)	(9.9%)	35.3%	16.3%
Pricing		**FY21A**	**FY22A**	**FY23A**	**FY24F**	**FY25F**
No of shares (y/e)	(m)	320	319	319	319	319
Weighted Av Dil Shares	(m)	320	319	319	319	319
EPS Reported	A$ cps	0.136	0.080	0.076	0.103	0.124
EPS Normalised/Diluted	A$ cps	0.148	0.101	0.090	0.117	0.134
EPS growth (norm/dil)		-3%	-32%	-11%	30%	14%
DPS	cps	0.11	0.07	0.07	0.08	0.09
DPS Growth		5%	-36%	0%	14%	13%
Dividend yield		7.6%	4.9%	4.9%	5.6%	6.3%
Dividend imputation		30	30	30	30	30
PE (x)		9.7	14.3	16.0	12.3	10.7
PE market		15.0	15.0	15.0	15.0	15.0
Premium/(discount)		(35.3%)	(4.8%)	6.7%	(18.1%)	(28.4%)
EV/EBITDA (x)		6.1	8.9	9.6	7.5	4.2
FCF/Share	A cps	0.218	(0.021)	(0.165)	0.168	0.157
Price/FCF share		6.6	(67.1)	(8.7)	8.6	9.2
Free Cash flow Yield		15.2%	(1.5%)	(11.5%)	11.6%	10.9%

Source: Company data for actuals, RaaS estimates

FINANCIAL SERVICES GUIDE
RaaS Research Group Pty Ltd
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Effective Date: 26th March 2024

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