

Pureprofile Ltd

Acquisition Analysis

i-Link acquisition extends customer reach, EPS +ve in FY25f

Pureprofile Ltd (ASX:PPL) is a data analytics and consumer insights company underpinned by proprietary technology, servicing business decision makers in brands and media companies as well as market researchers. Pureprofile has announced a transaction agreement which will see the company acquire the business of i-Link Research Solutions Pty Ltd, a privately owned, consumer research business, for \$1.25m. Pureprofile says the acquisition delivers 17 experienced professionals, 50+ client relationships, advanced technology platforms and software and a portfolio of highly-engaged panellists complementary to Pureprofile's existing business. The transaction will be paid in two tranches from existing cash reserves, with \$0.625m paid on completion and \$0.625m deferred and payable in nine months. Pureprofile says it expects to book one-time transaction costs of \$0.05m in FY24. In a [webinar with RaaS](#) published to the ASX, Pureprofile notes that i-Link generated revenue of ~\$2.7m in FY24, that it was cash-flow positive, and that there would be cost synergies from the i-Link principals not continuing with the business and existing staff moving to Pureprofile's offices. We have incorporated the acquisition in our forecasts, resulting in a 5% upgrade to our FY25 revenue and underlying EBITDA forecast and a 6% increase to our FY25 underlying EPS estimate. There is no change to our valuation.

Business model

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

Acquisition is EPS accretive in FY25

Pureprofile has announced it has signed a binding agreement to acquire the business of i-Link Research Solutions with the expected completion date of 1 July 2024. The \$1.25m transaction will be paid in two tranches, with the first on completion and the second in nine months' time. Pureprofile believes i-Link's LiveTribe panel will greatly enhance PPL's existing panel composition, adding diverse audiences and data across the Australian population. In addition, management noted that while there was around 25% crossover with clients across the two groups, the services were complementary and additional to Pureprofile's existing operations. The acquisition is being financed from cash reserves and represents a FY24 revenue multiple of 0.46x on our estimates. Based on our forecasts and after incorporating the acquisition, our underlying EPS forecasts have been upgraded by 6% to \$0.19/share for FY25f. We believe there may be additional revenue and cost synergies to derive from the acquisition beyond the existing business and cost savings from the principals retiring and offices merging.

Base-case DCF valuation of \$0.09/share, fully diluted

We use the discounted cash-flow methodology to value PPL and arrive at a fully diluted DCF of \$0.09/share, based on a WACC of 13.6% (beta 1.5, terminal growth rate 2.2%). Our terminal value is \$0.048/share within our \$0.09/share valuation. On the current share count of 1,159m, our base-case valuation is \$0.103/share. In our view, continued demonstration of strong revenue growth, a sustained return to profitability, and further evidence of EBITDA margin expansion should underpin PPL's share price in the near term.

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

Year end	Revenue	Gross profit	EBITDA adj.*	NPAT adj.*	EPS adj.*	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/22a	35.5	18.3	4.0	0.2	0.02	0.6	5.0	n.a
06/23a	43.7	23.0	4.3	0.7	0.06	0.5	5.0	31.4
06/24f	49.0	26.5	4.3	1.1	0.09	0.4	5.0	21.6
06/25f	58.8	31.3	5.3	2.2	0.19	0.4	4.0	10.8

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

Data Analytics

1 July 2024

Share Details

ASX code	PPL
Share price (28-Jun)	\$0.021
Market capitalisation	\$24.3M
Shares on issue	1,159M
Net cash 31-Dec-2023	\$1.7M
Free float	~79.2%

Share Performance (12 months)



Upside Case

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

Downside Case

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

Catalysts

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

Company Interview

[Pureprofile \(ASX:PPL\) RaaS Webinar 28 June 2024](#)

Board and Management

Michael Anderson	Non-Executive Ind. Chair
Adrian Gonzalez	Non-Executive Ind. Director
Liz Smith	Non-Executive Director
Mark Heeley	Non-Executive Director
Martin Filz	Managing Director/CEO
Melinda Sheppard	COO/CFO

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*The analyst owns shares

Transaction Discussion

Pureprofile has entered into a binding transaction agreement with i-Link Research Solutions to acquire the business for \$1.25m in cash, to be paid in two equal tranches. Completion of the transaction is expected on 1 July which will trigger the first payment, with the second \$0.625m deferred and payable in nine months' time. We estimate the transaction multiple paid, based on FY24 revenue of ~\$2.7m (as per [RaaS's webinar with management post the transaction announcement](#) as announced to the ASX), to be 0.46x on our estimates.

The assets being acquired as part of the transaction includes 17 professionals based in Sydney, the Philippines, India and Malaysia, a portfolio of panellists under the LiveTribe brand, technology platforms and software, and relationships with 50+ clients. Pureprofile will also take over i-Link's employee entitlement liabilities and accrued panel reward expenses.

Earnings Adjustments

We have incorporated the acquisition into our forecasts which has had the effect of increasing our revenue estimates for the Australian and New Zealand (ANZ) business for FY25 by 10% and total revenue by 5%. We are forecasting that Pureprofile will extract cost synergies from the principals not continuing with the business and from office lease costs. We have not included any synergies from the expanded panel or from the incorporation of i-Link's technology platforms into Pureprofile's service offerings.

The resulting upgrade to our FY25 underlying NPAT and underlying EPS forecasts is 6%, as set out in Exhibit 1.

Exhibit 1: Earnings adjustments (in A\$m unless otherwise stated)				
	FY24 old	FY24 new	FY25 old	FY25 new
ANZ	24.7	24.7	26.4	29.1
ROW	24.3	24.3	29.7	29.7
Total revenue	49.0	49.0	56.1	58.8
Gross profit	26.5	26.5	30.1	31.3
Gross margin	54.1	54.1	53.7	53.3
EBITDA underlying	4.3	4.3	5.1	5.3
<i>EBITDA underlying margin</i>	<i>8.7</i>	<i>8.7</i>	<i>9.0</i>	<i>9.0</i>
EBIT underlying	1.6	1.6	2.6	2.8
NPAT underlying	1.1	1.1	2.0	2.2
NPAT reported	(0.1)	(0.2)	1.0	1.2
EPS underlying (\$/share)	0.09	0.09	0.18	0.19
EPS reported (\$/share)	(0.01)	(0.02)	0.09	0.10
Source: RaaS forecasts				

Base-Case DCF Valuation Is \$0.09/Share Fully Diluted, Unchanged

We believe the discounted cash-flow methodology is the most appropriate method to value PPL, given the relatively early stage of the company's lifecycle. We apply a discount rate of 13.6% (beta 1.5, terminal growth rate of 2.2%). This derives a base-case valuation of \$0.09/share, fully diluted for all options and performance rights, regardless of whether they are in-the-money. On the current share count of 1,159.0m, the valuation is \$0.103/share.

Exhibit 2: Base-case DCF valuation

	Parameters
Discount rate (WACC)	13.6%
Terminal growth rate	2.2%
Beta	1.5
Present value of free cash flows (\$m)	53.3
Present value of terminal value (\$m)	64.1
Plus net cash at 31-Dec-2023	(1.7)
Equity value (\$m)	119.1
Shares on issue (m) including in-the-money options and performance shares	1,360
Equity value per share fully diluted	\$0.09
Equity value per share on current share count (1,159.0m)	\$0.103

Source: RaaS estimates

Exhibit 3: Financial Summary

Pureprofile						Share price (28 June 2024)					A\$	0.02				
Profit and Loss (A\$m)						Interim (A\$m)	H123A	H223F	H124A	H224F	H125F	H225F				
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Revenue	22.3	21.5	24.0	25.0	28.3	30.5				
						EBITDA	2.3	2.1	2.4	1.8	2.3	3.0				
Sales Revenue	30.0	35.5	43.7	49.0	58.8	EBIT	0.8	0.7	1.0	0.6	1.1	1.7				
Gross Profit	16.8	18.3	23.0	26.5	31.3	NPAT (normalised)	0.5	0.2	0.8	0.3	0.8	1.3				
EBITDA underlying	3.1	4.0	4.3	4.3	5.3	Minorities	-	-	-	-	-	-				
Depn	(0.8)	(0.6)	(0.5)	(0.4)	(0.3)	NPAT (reported)	(0.5)	(1.7)	0.0	(0.2)	0.3	0.8				
Amort	(3.0)	(2.7)	(2.5)	(2.3)	(2.3)	EPS (normalised)	0.04	0.02	0.07	0.03	0.07	0.12				
EBIT underlying	(0.6)	0.8	1.3	1.6	2.8	EPS (reported)	(0.05)	(0.15)	0.00	(0.02)	0.03	0.07				
Interest	(2.7)	(0.5)	(0.5)	(0.5)	(0.4)	Dividend (cps)	-	-	-	-	-	-				
Tax	(0.0)	(0.1)	(0.1)	(0.0)	(0.2)	Imputation	30.0	30.0	30.0	30.0	30.0	30.0				
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	0.4	2.2	1.2	1.5	1.6	2.3				
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	1.7	3.4	2.3	2.8	2.9	3.5				
NPAT pre significant items*	(3.4)	0.2	0.7	1.1	2.2	Divisions	H123A	H223F	H124A	H224F	H125F	H225F				
Significant items	6.2	(2.3)	(2.9)	(1.3)	(1.0)	Australia and NZ	14.0	12.9	14.0	10.7	14.6	14.6				
NPAT (reported)	2.8	(2.2)	(2.2)	(0.2)	1.2	Rest of world	8.3	8.5	10.0	14.3	13.7	16.0				
Cash flow (A\$m)						Sales revenue	22.3	21.5	24.0	25.0	28.3	30.5				
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Platform revenue inc in abov	2.2	2.6	4.4	4.9	5.6	6.5				
EBITDA underlying (Stat)	3.1	4.0	4.3	4.3	5.3											
Interest	(0.2)	(0.3)	(0.3)	(0.5)	(0.4)	COGS	(10.9)	(9.8)	(11.0)	(11.5)	(13.3)	(14.2)				
Tax	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	Employment	(7.4)	(7.6)	(8.4)	(8.8)	(9.8)	(10.3)				
Working capital changes	(0.6)	0.2	(1.4)	(0.9)	(0.8)	Technology, licence fees	(0.8)	(1.3)	(1.2)	(1.6)	(1.7)	(1.8)				
Operating cash flow	2.4	3.9	2.6	2.7	3.9	Other costs	(1.0)	(0.7)	(1.1)	(1.2)	(1.2)	(1.3)				
Mtce capex	(0.0)	(0.1)	(0.1)	(0.2)	(0.4)											
Free cash flow	2.3	3.8	2.4	2.5	3.5	EBITDA (adjusted)	2.3	2.1	2.4	1.8	2.3	3.0				
Growth capex	(2.0)	(2.2)	(2.4)	(2.1)	(2.1)											
Acquisitions/Disposals	0.0	0.0	(0.1)	0.0	(1.3)	Margins, Leverage, Returns						FY21A	FY22A	FY23A	FY24F	FY25F
Other	0.0	0.0	0.0	0.0	0.0	EBITDA		10.4%	11.3%	9.8%	8.7%	9.0%				
Cash flow pre financing	0.3	1.6	(0.1)	0.3	0.1	EBIT		(2.0%)	2.1%	3.1%	3.2%	4.7%				
Equity	13.4	0.5	0.0	0.0	0.0	NPAT pre significant items		(11.2%)	0.5%	1.7%	2.2%	3.7%				
Debt	(10.8)	0.0	(0.5)	(0.3)	0.0	Net Debt (Cash)		0.6	2.3	1.7	1.7	1.9				
Dividends paid	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	0.2	0.6	0.4	0.4	0.3				
Net cash flow for year	2.9	2.2	(0.6)	0.0	0.1	ND/ND+Equity (%)	(%)	(19.9%)	(111.4%)	(64.3%)	(106.0%)	(69.6%)				
Balance sheet (A\$m)						EBIT interest cover (x)	(x)	n/a	0.7	0.4	0.3	0.2				
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	ROA		(3.4%)	3.8%	6.1%	7.5%	13.6%				
Cash	3.6	5.3	4.7	4.7	4.9	ROE		(37.4%)	(53.4%)	(49.2%)	(5.1%)	29.4%				
Accounts receivable	5.7	7.0	7.5	6.1	7.4	ROIC		3.2%	34.7%	105.1%	nm	nm				
Inventory	0.0	0.0	0.0	0.0	0.0											
Other current assets	1.7	1.8	2.6	0.6	0.6	Working capital		(1.5)	(1.9)	(1.2)	(0.3)	(0.5)				
Total current assets	11.1	14.1	14.8	11.5	12.9	WC/Sales (%)		(4.9%)	(5.3%)	(2.6%)	(0.6%)	(0.9%)				
PPE	0.1	0.1	0.1	0.1	0.3	Revenue growth		23.8%	18.5%	22.9%	12.2%	20.0%				
Intangibles and Goodwill	6.2	5.8	5.6	5.5	6.6	EBIT growth pa	n/a	(225.3%)		76%	16.8%	78%				
Investments	0.0	0.0	0.0	0.0	0.0	Pricing		FY21A	FY22A	FY23A	FY24F	FY25F				
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	1,100	1,107	1,159	1,159	1,159				
Other non current assets	1.9	1.1	2.0	1.8	2.3	Weighted Av Dil Shares	(m)	1,058	1,089	1,133	1,159	1,159				
Total non current assets	8.3	7.0	7.7	7.5	9.2											
Total Assets	19.4	21.0	22.5	19.0	22.1	EPS Reported	cps	0.42	(0.20)	(0.19)	(0.02)	0.10				
Accounts payable	7.2	8.9	8.7	6.4	7.9	EPS Normalised/Diluted	cps	(0.31)	0.02	0.06	0.09	0.19				
Short term debt	0.0	0.0	3.0	0.2	0.2	EPS growth (norm/dil)		n/a	(105.0%)	316.4%	45%	101%				
Tax payable	0.1	0.1	0.1	0.0	0.0	DPS	cps	-	-	-	-	-				
Other current liabilities	3.5	3.6	4.5	4.4	4.9	DPS Growth		n/a	n/a	n/a	n/a	n/a				
Total current liabilities	10.8	12.5	16.2	11.1	13.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%				
Long term debt	3.0	3.0	0.0	2.8	2.8	Dividend imputation		30	30	30	30	30				
Other non current liabs	1.9	1.1	1.9	1.8	1.8	PE (x)		4.8	-	-	-	20.1				
Total long term liabilities	4.9	4.1	1.9	4.6	4.6	PE market		18.0	18.0	18.0	18.0	18.0				
Total Liabilities	15.7	16.7	18.1	15.6	17.6	Premium/(discount)		(73.5%)	(100.0%)	(100.0%)	(100.0%)	11.4%				
Net Assets	3.7	4.4	4.4	3.4	4.5	EV/EBITDA		6.8	5.0	5.0	5.0	0.0				
						FCF/Share	cps	0.2	0.4	0.2	0.3	0.4				
Share capital	59.9	60.4	61.8	62.8	62.8	Price/FCF share		9.2	5.6	8.5	7.9	5.4				
Accumulated profits/losses	(57.6)	(59.8)	(60.6)	(60.8)	(59.7)	Free Cash flow Yield		10.9%	17.8%	11.7%	12.7%	18.6%				
Reserves	1.5	3.7	3.3	1.4	1.4											
Minorities	0.0	0.0	0.0	0.0	0.0											
Total Shareholder funds	3.7	4.4	4.4	3.4	4.5	* excludes non-cash share-based payments										

Source: RaaS estimates; Company data for actuals

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

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