

29th October 2020

Pureprofile Ltd

Strong data & analytics revenue growth in Q1

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. The company has reported Q1 FY21 EBITDA of \$0.88m, up 61% on Q4 FY20 and 17% on Q1 FY20 on sales of \$6.4m, an increase of 19% on Q4 FY20 and small 5% decline on Q1 FY20. Pureprofile has provided FY21 EBITDA guidance of \$2.5m to \$3.0m, with our forecast for \$2.9m in the upper end of this range.

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.

Q1 FY21 highlights, EBITDA guidance range of \$2.5m-\$3.0m

Pureprofile has reported Q1 FY21 cash receipts of \$6.2m and a positive operating cashflow of \$0.09m including \$0.38m in government grants and tax incentives. The company's closing cash position for the quarter was \$1.44m, which post the entitlements offer and revised debt position, puts the company on track for net cash of \$1.9m. PPL generated \$6.36m in revenue in Q1 FY21 with data and insights contributing \$5.21m, an increase of 11% on Q1 FY20. The self service platform generated \$0.23m in revenue, up 111% on pcp. Revenues from media and performance declined in the quarter, due to COVID-19 impacts. Operating expenses for the period were \$2.56m, an improvement of 19% or \$0.59m on Q1 FY1. PPL provided an EBITDA guidance range of \$2.5m-\$3.0m for FY21.

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

We use the discounted cashflow methodology to value Pureprofile (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. Please refer to our initiation report [Data analytics on a pure scale](#) for more detail.

Historical earnings and RaaS Advisory estimates (in A\$m)

Year end	Revenue*	Gross Profit	EBITDA	NPAT*	EPS (c) *	EV/Sales (x)	EV/EBITDA (x)
06/19a	26.7	15.5	(1.3)	(7.9)	(5.1)	0.63	nm
06/20a	24.2	13.7	1.6	(6.8)	(0.2)	1.05	15.63
06/21e	27.7	15.7	2.9	(1.1)	(0.3)	0.96	9.22
06/22e	33.5	19.3	4.8	1.9	0.0	0.76	5.33

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

Share details

ASX Code	PPL
Share Price (intraday)	\$0.024
Market Capitalisation	\$24.6M
Shares on issue	1,058M
Net cash post entitlements offer based on 30 Sept cash	\$1.9M
Free float	~52%

Share price 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 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

Comparable Companies (AU/NZ)

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

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FINANCIAL SERVICES GUIDE

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Effective Date: 26th November 2018

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