Research as a Service

Kinatico Ltd (formerly CV Check Ltd)

Q2/H1 Preview & Industry Developments

Software & Services

Q2/H1 FY23 preview and industry activity round-up

Kinatico Ltd (ASX:KYP) is a RegTech company providing workforce compliance monitoring and management technology and services (i.e. 'Know Your People' services). Our key expectations for KYP's upcoming Q2/H1 FY23 reports are: (1) $14.0m H1 revenue (up 9% yoy). Within this, our $7.1m Q2 forecast (up 10% yoy) reflects anticipated 3-4% growth in screening and verification (SaV) revenue (noting demanding comparables, seasonal hiring normalisation, job ads trends, economic uncertainty) and $950k from SaaS (up 58%); (2) $0.7m H1 EBITDA (flat on pcp); (3) $1.0m H1 operating cashflow (Q1/Q2 split: $0.2m/$0.8m); (4) $0.8m H1 free cash outflow (post $1.75m capitalised development spend) including Q2 breakeven; and (5) $11.1m cash (unchanged from 30 September) noting no buy-back activity has occurred for the past 8½ weeks. In industry developments, 11 companies in KYP's peer group have been the subject of M&A activity and interest during H1 spanning: (1) SaV (Vero Screening/Accurate Background and InterCheck Global/Certn); (2) ASX-listed peers (with Paygroup/Deel Inc. and Kyckr/Richard White completed, Elmo/K1 in train, Readytech/PEP in due diligence, and terminated discussions for Livetiles/Bigtincan and Damstra/Accel-KKR); and (3) Unlisted Australian-based peers (Ento/Humanforce, Flare/MYOB, Voice Project/Xref). This activity reinforces our view that KYP is both a potential target and acquiror given it operates in fragmented industries (SaV, RegTech, HR tech) and is trading at 0.8x FY23f EV/Revenue - a substantial discount to its listed peers and recent M&A implied multiples.

Business model

KYP has two core offerings: (1) SaV services primarily via its CVCheck platform (91% FY22 revenue); and (2) SaaS (9% FY22 revenue) encompassing real-time workforce compliance monitoring and management delivered via its 'Cited' platform (and accompanying 'OnCite' app), and workforce logistics solutions via its 'Enable' platform. SaV services generate transactional revenue with fees charged per check on a PAYG basis. They are targeted at business, skewed to police checks, and somewhat leveraged to the employment market. For SaaS, customers (employers) pay a fixed monthly fee (plus transactional fees for SaV and other services). For Cited SaaS, KYP now offers a simple monthly all-in fee per worker of $15-$30 (inclusive of transactional services, minimum 12-month subscription).

H1 FY23: Results preview and elevated peer M&A activity

Our H1 forecasts include five key metrics: (1) 9% yoy revenue growth to $14.0m with $12.3m from SaV (up 5% yoy including more moderate 3%-4% Q2 growth) and $1.7m from SaaS (up $0.5m yoy); (2) $0.7m EBITDA (flat on pcp); (3) $1.0m operating cashflow; (4) $0.8m free cash outflow due to sizeable ~$1.75m capitalised development spend (for OnCite and Cited enhancements); and (5) $11.1m cash. Meanwhile, biometric identity ('ID') verification and process automation services under the agreement with Scantek Solutions should be released across KYP's products in early Q3. M&A activity and interest in KYP's peer group has been at elevated levels in H1 including for six listed peers (ASX:ELO, PYG, KYK, RDY, LVT, DTC).

DCF valuation of $0.26/share or $113m market cap

Our KYP DCF valuation remains unchanged at $0.26 per share (11.6% WACC). This implies EV/Revenue multiples of 3.8x for FY22 and 3.3x for FY23f. As a cross-check, KYP is currently trading at a 66% discount to its ASX-listed peers (ex-ELO, RDY) on FY22 EV/Revenue (0.9x vs. 2.7x) including its closest peers [Xref (ASX:XF1) at 2.5x and IntelliHR (ASX:IHR) at 2.8x]. The discount is 61% on FY23f. Relative to the US-listed SaV pureplays (First Advantage, Sterling and HireRight), KYP is trading at a 65% discount to their average 2.3x FY23f EV/Revenue. Key re-rating catalysts are: (1) Securing material new SaaS revenue; and (2) Evidence that process automation initiatives are positioning KYP for future scalability and operating leverage.

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

Year end	Revenue	EBITDA reported	NPATA*	NPAT reported	EPS (c)	P/E (x)	EV/Revenue (x)	EV/EBITDA (x)
06/21a	17.5	0.2	(0.7)	(1.0)	(0.3)	n.m	1.3	n.m
06/22a	26.4	1.1	(0.3)	(1.5)	(0.3)	n.m	0.9	22.8
06/23f	30.5	2.4	0.8	(0.4)	(0.1)	n.m	0.8	10.1
06/24f	37.1	5.2	3.4	2.2	0.5	16.8	0.6	4.2

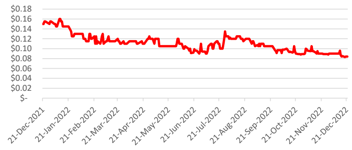
Sources: Company data; RaaS estimates for FY23f and FY24f; *Excludes Bright People Technologies ('Bright') acquisition related intangible assets amortisation

22 December 2022

Share Details

ASX code	KYP
Share price (21-Dec-22)	$0.084
Market capitalisation	$36.3M
Shares on issue (buy-back adj.)	432.1M
Net cash at 30-Sep-22	$11.1M
Free float (including founders/ excluding founders)	~66%/ ~80%

Share Performance (12 months)



Recent Interview

RaaS Interview with Michael Ivanchenko (CEO): Kinatico RaaS Interview 3 November 2022

Upside Case

- Uptake of industry agnostic, high-margin RegTech SaaS offering exceeds expectations
- Process automation = positioning for scalability and operating leverage
- Well positioned for potential M&A

Downside Case

- Lower/slower-than-expected SaaS uptake rate
- Economic downturn leads to reduced demand for pre-employment screening
- Pursuit of planned international expansion leads to higher-than-expected costs/losses

Catalysts

- Material new contracts for SaaS offering
- Delivery of process automation → positioning for future scalability and operating leverage
- M&A interest/activity (acquiror or target): per recent acq'n activity and interest at peers (incl. ASX:ELO, PYG, KYK, RDY, LVT, DTC)

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This report covers:

- Our expectations for KYP's Q2 and H1 FY23 results;
- Recent revenue disclosures and comments from some peer companies (XF1 and the three US-listed pureplay SaV companies);
- KYP's Q2 FY23 product developments; and
- Industry developments in the December 2022 half (M&A activity and interest in KYP's peer group together with implied valuation metrics, and planned offerings in the digital ID verification market).

Q2/H1 FY23 Results Preview

Our key expectations for KYP's upcoming Q2 and H1 FY23 reports follow (noting that the half-year forecasts set out in Annexure A of our last report, Kinatico RaaS Update 27 October 2022, are unchanged).

Exhibit 1: Half-year FY23 P&L and key cashflow statement forecasts (in A$m unless otherwise stated)

	H1 FY22a	H2 FY22a	FY22a	H1 FY23f	H2 FY23f	FY23f	*% chg on pcp (H1)*	*% chg on pcp (H2)*	*% chg on pcp (FY)*
Profit & Loss Statement									
Sales revenue									
- Transactional revenue (SaV)									
CVCheck platform	9.9	10.5	20.4	10.6	11.0	21.6	*7*	*4*	*6*
Bright *	1.7	1.9	3.5	1.7	1.7	3.3	*(1)*	*(10)*	*(5)*
Total transactional revenue (SaV)	*11.6*	*12.3*	*24.0*	*12.3*	*12.6*	*24.8*	*5*	*2*	*4*
- SaaS revenue (Bright)	1.2	1.2	2.4	1.7	3.9	5.7	*46*	*221*	*137*
Total sales revenue	**12.8**	**13.6**	**26.4**	**14.0**	**16.5**	**30.5**	***9***	***22***	***16***
Incl. Bright's total revenue	*2.9*	*3.1*	*5.9*	*3.4*	*5.6*	*9.0*	*19*	*82*	*51*
Cost of sales	(4.7)	(5.0)	(9.6)	(5.0)	(5.4)	(10.4)	*8*	*9*	*9*
Gross margin	**8.2**	**8.6**	**16.8**	**8.9**	**11.1**	**20.1**	***9***	***29***	***20***
Gross margin (%)	*63.7*	*63.5*	*63.6*	*63.9*	*67.4*	*65.8*	*+0.2 pts*	*+3.9 pts*	*+2.2 pts*
Operating costs									
- Employment costs	(5.0)	(5.1)	(10.1)	(5.9)	(6.9)	(12.8)	*18*	*36*	*27*
- Marketing expenses	(0.8)	(1.3)	(2.1)	(1.0)	(1.2)	(2.2)	*26*	*(9)*	*4*
- IT/website expenses	(0.6)	(0.8)	(1.4)	(0.7)	(0.8)	(1.4)	*8*	*(1)*	*3*
- Other expenses	(0.6)	(0.8)	(1.4)	(0.6)	(0.7)	(1.2)	*(7)*	*(18)*	*(13)*
- Share-based payment expenses	(0.4)	(0.3)	(0.7)	0.0	0.0	0.0	*(100)*	*(100)*	*(100)*
Total operating costs	**(7.4)**	**(8.3)**	**(15.7)**	**(8.2)**	**(9.5)**	**(17.7)**	***10***	***15***	***13***
Reported EBITDA**	**0.7**	**0.4**	**1.1**	**0.7**	**1.6**	**2.4**	***4***	***356***	***127***
Reported EBITDA margin (%)	*6.1*	*2.9*	*4.0*	*5.2*	*9.9*	*7.8*	*-0.8 pts*	*+7.0pts*	*+3.9 pts*
Depreciation and amortisation	(1.3)	(1.1)	(2.4)	(1.4)	(1.5)	(2.9)	*7*	*36*	*20*
EBIT	**(0.6)**	**(0.7)**	**(1.3)**	**(0.7)**	**0.1**	**(0.5)**	***11***	***n.m***	***(63)***
Net interest	0.0	0.0	0.0	0.1	0.2	0.3	*n.m*	*n.m*	*n.m*
Net profit/(loss) before tax	**(0.6)**	**(0.7)**	**(1.3)**	**(0.5)**	**0.3**	**(0.3)**	***(11)***	***n.m***	***(83)***
Income tax expense	0.0	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	*n.m*	*-*	*7*
Net profit/(loss) after tax	**(0.6)**	**(0.9)**	**(1.5)**	**(0.6)**	**0.2**	**(0.4)**	***(1)***	***n.m***	***(72)***
**Alternative EBITDA calculation (all tech development spend expensed)	(0.4)	(1.1)	(1.5)	(1.0)	1.0	0.0	*166*	*n.m*	*(100)*
Key Cashflow Statement Figures									
Net operating cashflow	1.2	1.8	3.1	1.0	1.7	2.6	*(21)*	*(10)*	*(14)*
Capitalised tech dev spend & capex	(1.1)	(1.7)	(2.8)	(1.8)	(0.6)	(2.4)	*54*	*(62)*	*(14)*
Free cashflow	**0.1**	**0.2**	**0.3**	**(0.8)**	**1.0**	**0.2**	***n.m***	***458***	***(14)***
Net cash at end of period	12.2	12.2	12.2	11.1	12.0	12.0	*(9)*	*(2)*	*(2)*

Sources: KYP financial statements and announcements, and RaaS forecasts; *Assumes some existing Bright customers migrate to SaaS pricing (inclusive of SaV services) in FY23; **This alternative EBITDA calculation adopts a more conservative approach of expensing all development spend (per capitalised development payments for the relevant period) vs. KYP's accounting policy of capitalising and amortising over 2.5 years (straight line)

Exhibit 2: Q2/H1 FY23 revenue and key cashflow statement forecasts (in A$m unless otherwise stated)

	Q1 FY22a	Q2 FY22a	H1 FY22a	Q1 FY23a	Q2 FY23f	H1 FY23f	*% chg on pcp (Q1)*	*% chg on pcp (Q2)*	*% chg on pcp (H1)*
Sales revenue	**6.3**	**6.5**	**12.8**	**6.9**	**7.1**	**14.0**	***9***	***10***	***9***
Comprising									
- Transactional revenue (SaV)	5.7	5.9	11.6	6.2	6.1	12.3	*8*	*3*	*5*
- SaaS revenue	0.6	0.6	1.2	0.7	1.0	1.7	*23*	*58*	*46*
Key Cashflow Figures									
Net operating cashflow	0.0	1.2	1.2	0.2	0.8	1.0	*606*	*(33)*	*(21)*
Capitalised tech dev spend & capex	(0.6)	(0.5)	(1.1)	(1.1)	(0.8)	(1.8)	*83*	*60*	*54*
Free cashflow	**(0.6)**	**0.7**	**0.1**	**(0.8)**	**0.0**	**(0.8)**	***33***	***(100)***	***n.m***
Net cash at end of period	12.3	12.2	12.2	11.1	11.1	11.1	*(10)*	*(9)*	*(9)*

Sources: KYP announcements and RaaS forecasts

- **Revenue**: Our forecasts incorporate **H1 FY23 revenue** of $14.0m (up 9% on the pcp) comprising $12.3m of SaV revenue (up 5% yoy) and $1.7m of SaaS revenue (up 46% yoy).

Within this, our **Q2 FY23 revenue** forecast stands at $7.1m (up 10% on pcp) reflecting a 3%-4% increase in SaV revenue (to $6.1m) and 58% growth for SaaS (to $950k). This follows Q1 revenue of $6.9m (up 9% yoy).

SaV revenue: The 3%-4% forecast SaV revenue increase for Q2 incorporates our expectation that **SaV volume growth** has moderated relative to the last two quarters (SaV revenue rose ~8% in Q1 and ~6% in Q4 FY22) which reflects:

- **Demanding comparables** noting SaV revenue on the CVCheck platform grew ~42% in H1 FY22 (RaaS estimate) attributable to the hiring resurgence following COVID-related lockdowns.
- Some normalisation of seasonal hiring trends. Q2 has historically been the **seasonally weakest quarter** for KYP's SaV services. However, this seasonality was not particularly pronounced in Q2 FY22 due to the hiring trends post-COVID lockdowns.
- Recent trends in job advertisements data (which also provide some insight into current demand for KYP's SaV services) and increasing macroeconomic uncertainty during the quarter. See Annexure A for October and November 2022 job ads data and comments noting the themes of demanding comparables and seasonal hiring normalisation.

We also observe that KYP has not increased its **SaV prices** during the half.

Some of KYP's most relevant **peer companies** have also recently made revenue-related disclosures and comments, namely:

- **XF1** which has forecast 18% H1 FY23 revenue growth for its online referencing operations and stated that "*recruitment activity has slowed*" and "*time to close sales* [is] *extended due to market conditions*". See Annexure B for a further details.
- The three **US-listed pureplay SaV companies** which: (1) Reported slower growth rates in their core US operations during the September quarter and a continuation of this trend into October; and (2) Lowered their respective FY22 (December year-end) revenue and earnings guidance ranges due to a combination of the strong US$ and lower revenue growth expectations. However, Sterling Check Corp (NASDAQ:STER) specifically referenced the solid September quarter performance of its Australian operations driven by its gig economy clients. See Annexure C for further details.

SaaS revenue (~12% of total revenue): On our estimates, H1 FY23 SaaS revenue (from the Cited and Enable offerings) will amount to $1.7m with a Q1/Q2 split of $720k/~$950k. Q2 growth incorporates estimated initial contributions from new H1 Cited client signings that are 'live' and being billed, and a high retention rate of larger SaaS clients (e.g. we understand BHP's WA iron ore division renewed its arrangements during the quarter).

- **Gross margins**: We expect gross margins will be 64% in H1 and Q2 (essentially unchanged from the pcp and H2 FY22). KYP disclosed gross margins of 64% for Q1 FY23.
- **Reported EBITDA**: On our forecasts, H1 FY23 EBITDA of $0.7m is in-line with the pcp reflecting our expectation that total costs will increase by a similar magnitude to revenue (i.e. ~9%). The most notable anticipated increase is employment-related costs (including share-based payments) - up ~$0.6m attributable to additional staff headcount (including in sales) and wage inflation.
- **H1 FY23 EBIT** ($0.7m forecast loss) and **NPAT** ($0.6m forecast loss) are also expected to be broadly in-line with the pcp reflecting minimal year-on-year movements in depreciation, amortisation, interest and tax expenses.
- **Net operating cashflow**: We are forecasting $1.0m net operating cashflow for H1 (vs $1.2m in pcp) comprising $233k in Q1 (as reported) and ~$800k in Q2.
- **Capitalised product development payments (intangible assets):** We anticipate H1 capitalised product development payments of ~$1.75m (vs $1.0m in pcp) with a Q1/Q2 split of $996k/~$750k. The payments encompass development work undertaken for the OnCite app (see below), ongoing platform feature enhancements for Cited, and the Scantek integration process (allocation of some internal staff costs).

  Our current expectation is that H2 spend will be materially lower than H1 at ~$0.6m (for further additions to and enhancement of OnCite app and Cited platform functionality).
- **Free cash outflow:** Our forecasts reflect free cash outflow of ~$0.8m for H1 incorporating the $826k outflow reported in Q1 and an anticipated breakeven free cashflow result in Q2.
- **Cash (and net cash) balance:** On our forecasts, the cash balance at 31 December 2022 will be $11.1m (unchanged from 30 September 2022 but down from $12.2m at 30 June 2022). The aggregate $1.1m H1 cash outflow is anticipated to reflect a combination of: (1) The ~$0.8m forecast free cash outflow; (2) Share buy-back payments of $227k (see below); and (3) ~$0.1m of other net financing outflows.

Other Q2 FY23 Activities: Product Developments and Buy-back

- **OnCite app update:** OnCite version 1.1.6 was released in mid-November 2022 and enables workers to directly capture/upload documents and add details of credentials/records into the app (vs. document capture/credential entry process via the Cited website or web app, and the read-only worker credentials/records in the initial versions).

  Additional new features will be added in the next update (estimated early January 2023) followed by Scantek's biometric ID verification and automation services (including optical character recognition [OCR] and ID document classification) in a subsequent update in early 2023.
- **Process automation and biometric ID verification services – Scantek agreement:** Integration of the agreed Scantek services into KYP's platforms has been taking place throughout Q2. We expect these new services will progressively be made available to Cited SaaS and CVCheck (SaV) customers commencing January/February 2023.

  See pages 8-11 of Kinatico RaaS Update 27 October 2022 for further information regarding the Scantek white-label agreement.
- **Buy-back:** KYP has not acquired any shares under the buy-back over the past 8½ weeks. To date, it has bought back 2.16m shares for $227k (at an average price of $0.105). The buy-back has accounted for 16% of volume traded since 22 August.

KYP has stated that the maximum amount it could outlay for the buy-back is $2m for up to 20m shares, which would equate to 4.6% of shares on issue at the commencement of the buy-back.

Exhibit 3: Share buy-back - weekly summary

Date	Number of shares bought back	Consideration paid	Average buy-back price	Total KYP share volume	Shares bought back as % of volume
22-Aug* to 26-Aug-22	416,929	$50,031	$0.120	622,301	67.0
29-Aug to 2-Sep-22	350,000	$38,000	$0.109	2,124,358	16.5
5-Sep to 9-Sep-22	208,973	$21,986	$0.105	290,630	71.9
12-Sep to 16-Sep-22	275,000	$29,875	$0.109	619,113	44.4
19-Sep to 23-Sep-22	150,000	$15,112	$0.101	194,162	77.3
26-Sep to 30-Sep-22	224,972	$21,472	$0.095	653,433	34.4
3-Oct to 7-Oct-22	100,000	$9,800	$0.098	338,271	29.6
10-Oct to 14-Oct-22	204,749	$19,596	$0.096	420,847	48.7
17-Oct to 21-Oct-22	225,000	$20,925	$0.093	2,865,668	7.9
24-Oct to 28-Oct-22	-	-	-	387,518	0.0
31-Oct to 4-Nov-22	-	-	-	927,180	0.0
7-Nov to 11-Nov-22	-	-	-	418,377	0.0
14-Nov to 18-Nov-22	-	-	-	1,692,213	0.0
21-Nov to 25-Nov-22	-	-	-	400,000	0.0
28-Nov to 2-Dec-22	-	-	-	567,533	0.0
5-Dec to 9-Dec-22	-	-	-	266,250	0.0
12-Dec to 16-Dec-22	-	-	-	811,569	0.0
19-Dec to 21-Dec-22	-	-	-	261,211	0.0
TOTAL	**2,155,623**	**$226,797**	**$0.105**	13,860,634	**15.6%**

Sources: KYP buy-back announcements, Refinitiv. *Buy-back commencement date

- **Director on-market purchase:** Jon Birman (Non-Executive Director, substantial shareholder [5.2%] and one of the Bright vendors) acquired a small $9k parcel of shares on-market on 15 and 17 November 2022 (at $0.09 per share).

Recent Industry Developments

In this section, we highlight relevant H1 FY23 developments in the industries in which KYP operates (SaV, human resource management [HRM] technology, and RegTech).

M&A activity and interest – December 2022 half

We continue to view KYP as both a potential target and potential acquiror, especially in the medium-term.

The table below summarises relevant M&A activity and interest at 11 of KYP's peer companies during H1 FY23 together with implied revenue-based valuation metrics (where available) and is grouped into three segments:

- **SaV industry**: Two completed transactions (also see SaV industry M&A below);
- **KYP's ASX-listed peer group**: Six transactions/proposals with two completed, one at the shareholder vote stage, one in due diligence, and two where discussions terminated (also see KYP valuation scenarios based on ASX-listed peer M&A below); and
- **KYP's unlisted Australian-based peer group**: Three completed transactions (also see M&A in KYP's unlisted Australian-based peer group below).

Exhibit 4: Peer group M&A activity and interest – December 2022 half summary

Date announced	Acquiror	Nature of acquiror	Target/acquiree	Consideration (A$m)	Share price premium*	EV/Revenue FY22a	EV/Revenue FY23f	EV/ARR (end-FY22)	DCF (A$m)	Transaction Status
A. SaV industry										
Oct-22	Certn (Canada-based)	Trade buyer (VC backed)	InterCheck Global (Australia)	Not disclosed	n.a	n.a	n.a	n.a	n.a	Completed
Jul-22	Accurate Background (US-based)	Trade buyer (Apax Digital Fund backed)	Vero Screening (UK-based)	Not disclosed	n.a	n.a	n.a	n.a	n.a	Completed
B. ASX-listed peers										
Nov-22	Pacific Equity Partners (Australia)	Private equity	Readytech Holdings (ASX:RDY)	541 (EV) 514 (equity)	39%	6.9x	5.2x	ARR not disclosed	n.a	DD stage
Oct-22	Bigtincan Holdings (ASX: BTH)	ASX-listed tech company	Livetiles Ltd (ASX:LVT)	65 (EV) 62 (equity)	28%	1.2x	n.a	0.9x	n.a	Discussions terminated **
Oct-22	K1 Investment Management (US-based)	Private equity	ELMO Software (ASX:ELO)	483 (EV) 486 (equity)	102%	5.3x	4.1x	4.5x 3.5x (FY23 guidance)	435-485#	Scheme vote on 30-Jan-23
Jul-22	RealWise KYK AV (Richard White)	HNW buyer/ existing s'hldr	KYCKR (ASX:KYK)	43.5 (EV) 43.5 (equity)	63%	11.3x	6.2x	10.5x 4.6x (FY23)#	41-48#	Completed
Jul-22	Accel-KKR	Private equity	Damstra Holdings (ASX:DTC)	Not disclosed	n.a	n.a	n.a	n.a	n.a	Discussions terminated
Jun-22	Deel Inc. (US-based)	Trade buyer (VC, PE backed)	Paygroup (ASX:PYG)##	113 (EV) 119 (equity)	174%	4.3x	3.0x	2.9x	107-120#	Completed
C. Unlisted Australian-based peers										
Nov-22	Xref Ltd (ASX:XF1)	ASX-listed HRM tech company	Voice Project	4	n.a	~1.0x	~1.0x	n.a	n.a	Expected Q2 completion
Sept-22	Humanforce	Trade buyer (Accel-KKR controlled)	Ento (VC backed)	Not disclosed	n.a	n.a	n.a	n.a	n.a	Completed
Sept-22	MYOB	Trade buyer (KKR owned)	Flare	Not disclosed	n.a	n.a	n.a	n.a	n.a	Completed

Sources: Company announcements and Refinitiv; *Vs. price at close of trade on day prior to announcement of transaction or M&A approach; #Per independent expert's report (IER); **In early November, LVT appointed Atlas Technology Group, a US technology advisory firm, "*to explore strategic opportunities and evaluate opportunities to maximise shareholder value*." These developments also follow LVT's proposed voluntary delisting from ASX which was put to shareholders in early-September but not approved; ## 31 March year-end

See Annexure D for some additional information of interest from the IERs for PYG, ELO and KYK.

We make the following observations in relation to further potential M&A activity and interest into 2023:

- We anticipate the SaV, workforce management and broader HR software industries will continue to be attractive to potential acquirors that are well capitalised and have medium to long-term investment horizons given: (1) The fragmented nature of these industries is conducive to M&A; (2) The current tech stock malaise is becoming more prolonged against the background of economic uncertainty; (3) The share prices of some companies (including KYP) are currently trading around 12-month lows; and (4) US-based potential acquirors can capitalise upon the current US$ strength (for Australian, EMEA and Asian acquisitions).

- **Private equity** has recently been investing in Australian-headquartered workforce management companies (both listed and unlisted) as reflected in K1 Investment Management's proposed acquisition of ELO, PEP's indicative offer for RDY, and Accel-KKR's approaches to ELO and DTC in mid-2022 in addition to its investments in Humanforce (which has itself been acquisitive) and Pegasus. Two of these three PE firms are US-based.

- All three of the **US-listed pureplay SaV companies** [First Advantage Corp (NASDAQ:FA), Sterling Check Corp (NASDAQ:STER) and HireRight Holdings Corp (NYSE: HRT)] continue to reiterate their interest in appropriate M&A transactions (per their most recent September 2022 quarterly updates). While all three already have operations in Australia, it appears that KYP displays some of the characteristics they are seeking in target companies. In addition, **unlisted SaV companies** are also engaging in geographic expansion related M&A with North American-based Certn and Accurate Background recently completing transactions in Australia and the UK respectively.

- With estimated ~$11m cash and net current assets of ~$7m at 31 December 2022, KYP could undertake a small to medium cash-based acquisition without needing to raise further capital. Being listed, it also has the flexibility to consider acquisitions for cash and scrip or all scrip. We expect KYP would consider acquisitions to augment the features and capabilities of Cited and/or the CVCheck platform at appropriate prices.

SaV industry M&A

Two noteworthy M&A transactions occurred in the SaV industry during the December 2022 half:

- Australian SaV company **InterCheck Global Pty Ltd** ('InterCheck') [www.intercheck.com.au] was acquired by **Certn** in late October 2022 for an undisclosed price. InterCheck states that it has over 1,200 business clients.

  Certn is a Canadian-based company founded in 2016 and focused on "*providing real-time comprehensive background checks and ongoing risk monitoring for employees, contractors and tenants around the world.*" It completed a C$65m Series B funding round in late April 2022 led by B Capital (with contributions from several other firms including Telstra Ventures, BMO, Tribe, and Inovia Capital) after receiving C$37m Series A funding throughout 2020.

  It stated that "*the acquisition diversifies Certn's global offering while enhancing InterCheck's user experience*" and that "*InterCheck will continue to operate under its existing brand and maintain its local leadership and support team base, and Australian headquarters*." The InterCheck transaction follows Certn's January 2022 acquisition of Credence, a SaV company based in the UK and servicing Europe, Middle East and Africa, for an undisclosed price.

- UK-based **Vero Screening Ltd** ('Vero') was acquired by **Accurate Background** in July 2022 for an undisclosed price. Accurate Background is a US-based provider of background checks, drug and health screening, and monitoring solutions. Its investors include Apax Digital Fund (technology-focused growth equity fund advised by Apax Partners).

  Accurate Background made the following comments in relation to the acquisition:

  - *"With the addition of Vero Screening, Accurate continues our global expansion to meet the needs of global multinational organizations as they quickly onboard talent and manage risk with industry-leading screening and monitoring services."*
  - *"Accurate gains a new EMEA headquarters in Brighton, UK, where the Vero team will continue to serve its strong client base, while offering support to a growing roster of multinational clients. Vero's products and services … bring deep vertical expertise in the legal, financial, and professional services sectors, and a robust global compliance practice."*

  We note that **KYP has a wholesale supply agreement with Vero** for the provision of Australian/NZ SaV services for Vero's employer customers.

KYP valuation scenarios based on ASX-listed peer M&A

Applying the FY22a and FY23e EV/Revenue multiples implied by the recently completed PYG acquisition and proposed ELO acquisition to KYP gives:

- An EV range of $92m-$140m and an equity value of **$0.24-$0.35 per share on a controlling basis**.
- An EV range of $68m-$103m and an equity value of **$0.19-$0.27 per share on a minority interest/portfolio basis** (based on a 35% control premium which is within the longer-term Australian average range of 20%-40%). Our DCF valuation of $0.26 per share is at the upper end of this range.

RaaS Research as a Service

We consider that PYG's scale and financial metrics most closely resemble those of KYP.[1] Whilst KYK and RDY are also included in the tables below, we consider the KYK implied metrics to be outliers and note that RDY's metrics are also likely to reflect the relative strength of its FY22 and forecast earnings and cashflows and the increasing contribution of its government and justice sector software.

Exhibit 5: KYP valuation scenarios (controlling basis) based on recent ASX-listed peer M&A

	PYG acq'n	ELO proposed acq'n	KYK acq'n	RDY indicative offer
FY22a revenue (A$m)	26.2	91.4	3.8	78.3
FY23f revenue (A$m)	37.5*	117.2	7.0*	104.4
ARR at 30-Jun-22 (A$m)	39.1	108.2	4.2	Not disclosed
ARR at 30-Jun-23f (A$m)	n.a	137.0**	9.5*	n.a
Implied EV/Revenue multiple				
- FY22a revenue	4.3x	5.3x	11.3x	6.9x
- FY23f revenue	3.0x	4.1x	6.2x	5.2x
- ARR at 30-Jun-22	2.9x	4.5x	10.5x	n.a
- ARR at 30-Jun-23f	n.a	3.5x	4.6x	n.a
Enterprise value (EV) - KYP (A$m)				
- Using FY22 EV/Revenue multiple	113.9	139.5	298.7	182.4
- Using FY23 EV/Revenue multiple	91.9	125.7	190.2	158.1
Equity value/share - KYP				
- Using FY22 EV/Revenue multiple	$0.29	$0.35	$0.72	$0.45
- Using FY23 EV/Revenue multiple	$0.24	$0.32	$0.47	$0.39

Sources: Company announcements, RaaS estimates, Refinitiv; *Per IER projections/budgets; **Midpoint of FY23f guidance range

Exhibit 6: KYP valuation scenarios (minority basis) based on recent ASX-listed peer M&A

	PYG acq'n	ELO proposed acq'n	KYK acq'n	RDY indicative offer
Implied EV/Revenue multiple				
- FY22a revenue	3.2x	3.9x	8.4x	5.1x
- FY23f revenue	2.2x	3.0x	4.6x	3.8x
- ARR at 30-Jun-22	2.1x	3.3x	7.7x	n.a
- ARR at 30-Jun-23f	n.a	2.6x	3.4x	n.a
Enterprise value (EV) - KYP (A$m)				
- Using FY22 EV/Revenue multiple	84.3	103.3	221.1	135.0
- Using FY23 EV/Revenue multiple	68.0	93.0	140.7	117.0
Equity value/share - KYP				
- Using FY22 EV/Revenue multiple	$0.22	$0.27	$0.54	$0.34
- Using FY23 EV/Revenue multiple	$0.19	$0.24	$0.35	$0.30

Sources: Company announcements, RaaS estimates, Refinitiv

M&A in KYP's unlisted Australian-based peer group

Three noteworthy M&A transactions occurred in the unlisted Australian RegTech/HRM sector:

- **Humanforce's acquisition of Ento**: In late September 2022, Humanforce acquired Ento for an undisclosed price and indicated that it "*was a sign of the company's appetite for M&A*".[2] Humanforce is a Sydney-based workforce management software company focused on shift and roster-driven workforces. It was founded in 2002 and has offices in Australia, New Zealand, Singapore and the UK.

  Ento is Melbourne-based and was founded in 2009 and is similarly focused on management of rostering, compliance and employee onboarding for casual workforces. Its shareholders included Perennial Value

[1] More specifically, PYG and KYP reported similar levels of revenue and capitalised development spend in FY22, albeit that PYG had a higher proportion of SaaS revenue (32% vs. 9% for KYP) and the other 68% of its revenue from managed payroll services is typically from multi-year client contracts (vs. KYP's PAYG model for SaV services with a predominantly non-contracted client base [but with >80% of B2B clients returning]). KYP's FY22 gross margins, EBITDA and cashflow metrics were stronger than those of PYG. However, PYG's FY23 organic revenue growth is projected to be higher (~40% vs. 16%).

[2] Humanforce Acquires Ento - ACCEL KKR (accel-kkr.com) and Accel-KKR's Humanforce to acquire AirTree-backed software company Ento (afr.com)

Management (following Ento's $5m Series B raising in June 2021) and Airtree Ventures. Ento provides services to over 10,000 workplaces with ~100,000 employees/workers. The combined group will have ~600k 'employees under management' (~500k Humanforce/~100k Ento).

The Ento transaction follows private equity firm **Accel-KKR**'s acquisition of a majority interest in Humanforce in early May 2022 for $60m[3] at which time Humanforce stated that it "*will enable Humanforce to rapidly expand its suite of solutions, pursue acquisitions and enhance its market leadership position with frontline and deskless workforces.*"

- **MYOB (unlisted – acquired by KKR in 2019):** On 13 September 2022, MYOB announced its acquisition of Flare (www.flarehr.com) for an undisclosed price.[4] Flare was founded in 2015 and is a pay and benefits platform for Australian employers with an offering that includes digital onboarding, a pay and benefits app, and a digital wallet for payroll and novated car leasing. The acquisition followed MYOB's initial strategic partnership and investment in Flare in November 2020 which led to the integration of Flare's onboarding and superannuation services within the MYOB platform.

- **XF1's acquisition of Voice Project**: On 23 November 2022, XF1 announced the acquisition of Voice Project which forms part of its strategy to expand its offering of "hire-to-retire" services to employers. Voice Project is an employee engagement company providing data-driven workplace surveys (including onboarding, customer satisfaction, employee engagement, leadership, exit and pulse surveys) and industry benchmarking.

  It generates ~$4m revenue pa and is profitable. The maximum consideration is $4m (~1.0x revenue) with $2m cash payable upfront and up to $2m of deferred consideration conditional on performance (and payable in XF1 shares on the first and second anniversaries of completion). The acquisition is expected to be completed in Q2.

Digital ID verification market – planned offerings

During November 2022, both STER and CredShare (see Annexure E for background) announced arrangements with **Yoti**, a UK-based international ID technology company, to implement and provide digital ID verification services within their offerings:[5]

- **CredShare** and Yoti entered into a memorandum of understanding in late November 2022 to "*collaborate globally in the delivery of commercial and technical solutions for verifying digital identity and credentials.*"

- On 8 November 2022, **STER** and Yoti announced a partnership in EMEA and APAC to *"enable an exclusive digital identity verification workflow to be integrated directly into the hiring process, allowing employers to take an identity-first approach, where a candidate's identity is verified before completing other background checks, and before actually being hired."* Implementation will start in the UK in 2023. (STER has an existing arrangement with ID.me for similar services in its core US market).

  In the **Australian market,** STER operates two brands: (1) **Sterling RISQ** for enterprises/businesses; and (2) **National Crime Check** for individuals, SMEs and gig economy workers. We suspect Yoti's digital ID verification services could be implemented for Sterling RISQ clients in 2023 or 2024 given National Crime Check has an existing arrangement with **Jumio** (an AI-powered ID verification provider) for the provision

[3] See Humanforce Closes Significant New Growth Investment from Accel-KKR | Humanforce and https://www.afr.com/technology/us-pe-fund-accel-kkr-buys-majority-stake-in-aussie-software-company-20220502-p5ahva.

[4] See MYOB acquires Flare, Australian SMEs to reap benefits. MYOB is a business management platform providing accounting and business software to SMEs.

[5] Earlier in 2022, Yoti announced arrangements for the provision of digital ID verification services to a number of pre-employment SaV providers in the UK market, including First Advantage.

of biometric technology, OCR, machine learning and liveness detection in its ID verification offering (InstaID and InstaID Plus).

Once launched, these Yoti-powered services are likely to compete with KYP's imminent offering of biometric ID verification services under the Scantek agreement. Whilst competition in the ID verification market appears to be ramping up, it is against a background of expectations that the ID verification market will experience stronger growth than pre-employment and post-employment SaV services over the next few years.[6]

Valuation, Catalysts And Risks

DCF valuation

Using a discounted cashflow methodology, our (unchanged) valuation of KYP is **$0.26 per share** based on current issued capital (given none of the unlisted securities have vested and/or are in-the-money).[7] We view DCF as the most appropriate methodology for valuing KYP at this point in its lifecycle as it pursues its SaaS sales growth strategy. Our DCF valuation implies EV/Revenue multiples of 3.8x for FY22a and 3.3x for FY23f, which appear reasonable compared to the peer trading multiples noted below and the abovementioned recent M&A implied multiples (on a minority interest/portfolio basis).

Exhibit 7: DCF valuation

Parameters	Outcome
Discount rate / WACC*	11.6%
Beta**	1.25x
Terminal growth rate assumption	2.2%
Sum of PV (10-year forecast period: FY23-FY32)	$47.3m
PV of terminal value	$53.4m
PV of enterprise	**$100.7m**
Net debt / (cash) - 30 June 2023 (forecast)	($12.0m)
Net valuation - equity	**$112.7m**
No. of shares on issue (adj. for buy-back to date)	432.1m
NPV per share	**$0.26**

Sources: RaaS estimates, Refinitiv Eikon; *Discount rate incorporates risk-free rate (Rf) of 3.5% and an equity risk premium of 6.5%; **Vs. Refinitiv's observed beta of 1.5x based on its five-year monthly beta methodology

A **sensitivity analysis** of some key DCF valuation inputs is set out below.

Exhibit 8: DCF valuation sensitivities

Variable	Current value in DCF	+/-	+/- value change (per share)	% change (+/-) vs. current DCF
Discount rate / WACC	11.6%	1%	$0.03	12
SaaS average monthly fee per worker	$15	$2.50	$0.07	28
FY24f revenue ($m)	37.1	$2.5m	$0.04	16
FY26f revenue ($m)	50.9	$5m	$0.05	21
FY31f revenue ($m)	80.5	$5m	$0.02	8
Gross margin FY26f	74.0%	5 percentage pts	$0.04	17
Gross margin FY31f	78.5%	5 percentage pts	$0.02	8
EBITDA margin FY26f	24.0%	5 percentage pts	$0.03	12

Source: RaaS estimates

Peer EV/Revenue trading multiples

FY22a: KYP is currently trading at the following discounts based on FY22a EV/Revenue:

- **71%** to the average of its 13 ASX-listed peers[8] (0.9x vs. 3.2x).

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[6] Based on industry research, the global ID verification market is forecast to experience 16% CAGR from US$8 billion in 2021 to $16 billion in 2025 (Source: STER [based on research by Acclaro Growth Partners and Markets and Markets]).

[7] Following the impending cancellation of 2.2m unlisted zero exercise price options (ZEPOs), there will be 5.0m out-of-the-money options and 6.0m unvested performance rights on issue.

[8] The 13 ASX-listed companies that we consider to be KYP's key peers from a valuation perspective are listed here in descending order starting with the closest peers (XF1 and IHR) based on our view of their relative offerings in the HR and workforce technology or RegTech sectors: Xref Ltd (ASX:XF1), IntelliHR Ltd (ASX:IHR), ELMO Software Ltd (ASX:ELO), Readytech Ltd (ASX:RDY), Damstra Holdings Limited (ASX:DTC), Identitii Ltd (ASX:ID8), wrkr Ltd (ASX:WRK), Rightcrowd Ltd

- **66%** to the average of its ASX-listed peers excluding ELO and RDY given they now incorporate takeover premiums (0.9x vs. 2.7x).
- **63%** and **68%** respectively to its two closest peers, XF1 (2.5x) and IHR (2.8x).

FY23f: For FY23f, KYP is trading at discounts of:

- **70%** to the average of its ASX-listed peers (0.8x vs. 2.7x based on seven companies using available FY23f forecast data for five companies and our estimates for XF1 and IHR based on recent company statements[9]);
- **61%** to the average of its ASX-listed peers excluding ELO and RDY (0.8x vs. 2.0x); and
- **61%** and **53%** respectively to XF1 (2.7x) and IHR (1.7x).

Relative to the **US-listed SaV pureplays**,[10] KYP is trading at a **65% discount** to their average 2.3x EV/Revenue for FY23f (using Australian fiscal year adjusted consensus forecasts).

Valuation scenarios: Applying the EV/Revenue multiples for KYP's ASX peers (excluding ELO and RDY), XF1, the three US-listed pureplays and a global peers group[11] to KYP gives a range of enterprise values from $61m-$110m and an equity value of **$0.17-$0.28 per share** on FY22 figures. On FY23 forecasts, enterprise values range from $62m-$123m for equity values of **$0.17-$0.31 per share**. We note that our DCF valuation of $0.26 per share is at the higher end of these valuation ranges.

Exhibit 9: KYP valuation scenarios - peer trading multiples

	FY22a	FY23f
KYP revenue (A$m)	26.4	30.5
EV/revenue multiple		
ASX peers – average (excluding ELO, RDY)	2.7x	2.0x
Xref Ltd (ASX:XF1)	2.5x	2.1x#
US listed pureplay SaV – average*	2.3x	2.3x
Global peers (inc. SaV pureplays) – average*	4.2x	4.0x
Enterprise value (EV) - KYP (A$m)		
Using ASX peers – average (excluding ELO, RDY)	72.0	61.9
Using XF1	54.5	62.6
Using US listed pureplay SaV - average	61.0	70.4
Using global peers (inc. SaV pureplays) - average	110.2	122.6
Equity value/share - KYP		
Using ASX peers – average (excluding ELO, RDY)	$0.19	$0.17
Using XF1	$0.18	$0.17
Using US listed pureplay SaV - average	$0.17	$0.19
Using global peers (inc. pureplays) - average	$0.28	$0.31

Sources: RaaS estimates, Refinitiv Eikon; Based on closing prices on 21 December 2022 for ASX peers and 20 December 2022 for global peers; See footnotes 8 and 10-11 for peer group constituents. *Using Australian fiscal year adjusted consensus forecasts; #See footnote 9

Key re-rating catalysts

We believe the key catalysts for a share price re-rating are:

- Evidence of SaaS revenue momentum from agreements with new and/or existing SaV customers which are material for KYP's annual revenue either individually or in aggregate.

(ASX:RCW), LiveTiles Ltd (ASX:LVT), Knosys Ltd (ASX:KNO), LiveHire Ltd (ASX:LVH), AD1 Holdings Ltd (ASX:AD1) and Schrole Group Ltd (ASX:SCL) – SCL is also a RaaS client.

[9] XF1 FY23 estimate: $22.5m assuming 10% organic revenue growth (i.e. 10% forecast H1 revenue growth rate is maintained in H2) and a $2m six-month contribution from the Voice Project acquisition.

IHR FY23 estimate: $8.5m based on ARR at 30 June 2022 plus annualised Q4 FY22 implementation revenue.

[10] First Advantage Corp (NASDAQ:FA), Sterling Check Corp (NASDAQ:STER), and HireRight Holdings Corp (NYSE:HRT).

[11] Equifax Inc (NYSE: EFX), Automatic Data Processing Inc (NASDAQ:ADP), Experian plc (LSE: EXPN), and TransUnion (NYSE: TRU).

KYP's annualised SaaS revenue run-rate was ~$3.2m at 30 September 2022 (RaaS estimate) and the remainder of FY23 is a key period to establish Cited SaaS sales momentum into FY24 and, in turn, materially increase SaaS's contribution to total revenue from 10% in Q1.

- Evidence that process automation (via the Scantek agreement and OnCite app uptake) positions KYP for future operating leverage via a relatively fixed cost base.

As abovementioned, we also continue to view KYP as both a **potential M&A target and potential acquiror**, especially in the medium-term, given: (1) It operates in fragmented industries (RegTech, HR/workforce tech, SaV) which are conducive to M&A opportunities; (2) The level of recent M&A activity and interest in KYP's peer group; (3) International M&A transactions in the SaV sector in recent years; and (4) It is trading at 12-month lows and a substantial EV/Revenue discount to its ASX-listed peers notwithstanding its positive EBITDA and operating and free cashflow in FY22 and on our forecasts (with the exception of the anticipated free cash outflow in H1 FY23f).

Key risks

- **Execution risks - SaaS growth:** The key risks to our forecasts and, in turn, our DCF valuation lie in KYP's SaaS sales execution/customer uptake, namely:
  - Longer-than-expected **lead times** to secure customers and/or customers agreeing to use Cited for a lower-than-expected portion of their workforce under the new SaaS pricing model (monthly per worker).
  - Longer-than-expected **customer go-live/implementation times** once contracts are signed leading to revenue and cash receipt delays. For instance, the Hireup agreement was executed in late February 2022 but only went live and started generating revenue in late June (vs. original April expectation).
  - **Competing offerings and customer resistance points**: In terms of direct competition, we have identified five companies (all Australian-based) which appear to have the closest offerings to KYP's Cited SaaS platform namely MyPass Global, Rapid Global, Pegasus, CredShare and Camms. See Annexure E for further details.

    Turning to customer uptake resistance points, whilst Cited is a differentiated multi-service SaaS platform, it is not a complete workforce solutions platform and there is an assortment of competitor offerings in workforce management and compliance. Many potential customers will have relationships with existing payroll, HRM and/or enterprise resource planning (ERP) software providers, including for software with overlapping functionality (e.g. inductions and training), which could also create barriers to uptake or switching. Some prospective clients may also have higher-than-expected compliance risk tolerance levels (i.e. not considered to be 'must have' spend).
  - **Economic uncertainty or downturn** leading to reduced business spending in all areas. A mitigating factor is that compliance-related software vendors are typically somewhat insulated from ancillary spend cuts during downturns (i.e. considered to be 'must have' spend).
- **International market entry:** Although we expect KYP will seek cost-effective entry points into international markets for its Cited SaaS offering, international expansion could lead to higher-than-expected costs and diversion of management resources and focus away from growing its SaaS platform in the Australasian market. In light of recent statements about the formulation of a global expansion strategy (in October 2022 AGM-related announcements), the associated risks are likely to continue to garner attention from some investors.

- **Ongoing compliance with privacy and data management and security laws** relating to KYP's offerings. In light of several recent high-profile consumer data breaches and the Federal Government's expedited *Privacy Act* reforms,[12] we expect data and security risk management will be an area of heightened focus and scrutiny. KYP is subject to audits under its agreements with government agencies including for compliance in these areas. It is also ISO 27001 (Information Security Management) certified. We understand that KYP's business insurance policy specifically includes cyber liability coverage.[13]
- **Key supplier risk - reliance on Scantek.** Scantek will be a key supplier to KYP reflecting the operational significance of its automation and biometric ID verification services. This gives rise to risks associated with increased reliance on software, systems and data management and security arrangements that are outside KYP's direct control.

[12] The *Privacy Legislation Amendment (Enforcement and Other Measures) Bill 2022* was passed by Federal Parliament on 28 November 2022. A key change is the increased maximum penalty for serious or repeated *Privacy Act* breaches from $2.2m to the greater of $50m, 30% of turnover, or three times the value of any benefit from information misuse. It also gives the Office of the Australian Information Commissioner (OAIC) enhanced powers.

The Attorney-General has also stated that the Bill is "*in addition to a comprehensive review of the Privacy Act by the Attorney-General's Department that will be completed this year, with recommendations expected for further reform*."

[13] KYP's FY22 insurance premiums (including business insurance, D&O insurance, etc) amounted to $345k (per Note 5 to the FY22 financial statements).

Annexure A: Australian Employment Market – Latest Job Advertisements Data

The October and November 2022 statistics for job advertisements together with the Recruitment Experiences and Outlook Survey produced by Jobs and Skills Australia (previously known as the National Skills Commission) are summarised below. In combination with job mobility (reported annually by the Australian Bureau of Statistics ['ABS'] in May)[14] and job vacancies (reported quarterly by the ABS with the next release in January 2023), they provide some insight into the current level of demand for KYP's SaV services.

There are three sources of **job advertisements data**: (1) Jobs and Skills Australia's monthly Internet Vacancy Index ('IVI'), (2) SEEK's Employment Index Report, and (3) ANZ's Job Ads series.

Exhibit 10: Australian Job Advertisements – October and November 2022

	October 2022 YoY % Chg	November 2022 YoY % Chg	October 2022 MoM % Chg (vs. Sept-22)	November 2022 MoM % Chg (vs. October 2022)
Jobs and Skills Australia IVI	+11.7	+5.6	+0.5	(3.4)
SEEK Employment Index Report	(0.9)	(8.2)	(3.7)	(4.9)
ANZ Job Ads	n.a (no data)	n.a (no data)	n.a (no data)	n.a (no data)

Sources: Jobs and Skills Australia, SEEK, ANZ

- **Jobs and Skills Australia's IVI:**[15] The **November 2022** IVI recorded 272,200 online job ads (seasonally adjusted) which represented an increase of 5.6% on the pcp but a decline of 3.4% relative to October 2022.

  This followed the 285,700 online job ads (seasonally adjusted) reported in **October 2022** which marked growth of 11.7% on the pcp and 0.5% relative to September 2022. Job ads declined month-on-month in Victoria and NSW offset by growth in Queensland, WA and the ACT.

- **SEEK's Employment Index Report**: National job ads posted on SEEK in **November 2022** decreased by 8.2% year-on-year and 4.9% month-on-month. Relative to the pcp, November job ads were lower in all states except Queensland (flat).

  SEEK highlighted the demanding comparables and signs of the resumption of traditional seasonal trends (emphasis added):

  - "*November 2021 saw job ads increasing significantly as businesses in Victoria and New South Wales scaled back up after lockdowns and in preparation for a restriction-free summer season. This year, hiring activity is slowing down, which is the trend that we would expect at this time of year.*"
  - "*Job ads volumes in Hospitality & Tourism have seen a lot of flux this year. After unprecedented demand leading to record-breaking numbers in June, this industry has led the decline over the past two months, indicating that businesses have reduced their hiring activity for summer.*"
  - "*If the traditional seasonal trends are returning, which is something we haven't seen for the past two years, then we can expect both employment demand and supply to remain quiet in December and January as businesses and candidates regroup ahead of the new working year.*"

  The declines in November 2022 followed the less pronounced **October 2022** decreases of 0.9% year-on-year and 3.7% month-on-month.

  SEEK noted that October 2022 marked the first year-on-year decline since October 2020 and expects to report lower job ads relative to the pcp in the coming months: "*Between October last year and May this*

[14] 21% of employed persons (2.8m) started their current job in the year ending February 2022 and this figure (2.8m) can be considered to be somewhat of a proxy for the current size of the Australian pre-employment SaV market.

[15] The IVI data counts all job advertisements that are newly lodged on the SEEK, CareerOne and Workforce Australia online job boards during the reference month.

year we experienced record level job ad volumes seven out of eight months, so we can expect year-on-year comparisons to be in deficit for the next few months."

The lower month-on-month job ads reflected declines in "customer-facing" industries which "*were unusually high in the middle of 2022"*, namely in hospitality and tourism (-12.5%), trades and services (-5.4%), and retail and consumer products (-9.9%).

It further commented that: "*The market continues to show some slight moderation, with job ad declines in … New South Wales and Victoria driving incremental national decline over the past two months. The decline in these two states is due to a drop in job ads across most industries, likely caused by the adverse weather and flooding in October, among other factors."*

- No **ANZ Job Ads** series is available for October and November 2022 as the series is currently on hold (pending a review and possible new data provider).

The key indicators in Jobs and Skills Australia's **Recruitment Experiences and Outlook Survey**[16] for **November 2022** remained steady for the month, namely:

- **Recruitment activity**: 58% of surveyed employers were recruiting in November 2022 (unchanged from October 2022 and September 2022, and up from 50% in the pcp).
- **Recruitment difficulty rate** decreased by one percentage point month-on-month to 69% of recruiting employers.
- **Actual staffing movements**: During November 2022, 13% of employers increased staff numbers while 11% decreased staff numbers.
- Employers' **expectations to increase staffing levels** over the next three months stood at 30% (vs. 31% in October and 28% in September 2022).
- 5% of employers were expecting to decrease staffing levels over the next three months (up from 2% in October 2022).

[16] Jobs and Skills Australia surveys approximately 1,200 employers each month regarding their experience when recruiting staff and whether they are expecting to increase staffing levels. The surveys commenced in June 2020.

Annexure B: XF1's H1 FY23 Forecasts and Comments

XF1 provided some disclosure and comments regarding H1 FY23 revenue expectations and conditions at its Annual General Meeting in late November 2022. We highlight the following comments regarding its core **Xref online reference checking revenue** (given reference checking is a SaV service, the majority of Xref revenue is generated in Australasia, and we consider XF1 to be KYP's closest ASX-listed comparable):

- **Online reference checking revenue**: "*H1 revenue from our core Xref business is forecast to be 18% up on PCP …*"

  H1 FY23 group revenue is forecast to increase ~10% on pcp (as a forecast 16% yoy decline in RapidID revenue attributable to the decline in demand from crypto clients offsets some of the Xref revenue growth).

  Therefore, XF1's revenue is forecast to be ~$9.8m (up from $8.9m in H1 FY22).

- **Sales** (which have historically been almost equivalent to cash receipts[17]): "*The first four months of FY23 has seen slower growth of new credit sales. Consequently, overall sales are in line with the corresponding period last year … We forecast sales for the first half to be in line with H1 last year*." XF1's sales were $10m in the pcp.

- **General conditions**: XF1 noted that "*recruitment activity has slowed*" and that *"time to close sales* [is] *extended due to market conditions."*

[17] Xref receives a significant portion of its revenue in advance via the sale of 'credits' for Xref online reference checks [vs. KYP's predominantly PAYG model for SaV services].

Annexure C: Listed Pureplay SaV Peers - Sept 2022 Quarter Results and Outlook

The first table below summarises the **key metrics** reported by the three US-listed pureplay SaV companies for the September 2022 quarter (vs. KYP's 8% SaV revenue growth), while the second table contains **consensus revenue growth estimate**s (following consensus downgrades in November 2022 to reflect company guidance regarding FX headwinds and moderating revenue growth rates). Relevant commentary from each of the quarterly announcements and conference calls also follows.

Exhibit 11: US-listed Pureplay SaV Peers: September 2022 Quarter Results

	First Advantage Corp (FA)	Sterling Check Corp (STER)	HireRight Holdings Corp (HRT)
Revenue (US$m)	206.0	199.3	210.3
Growth (%)	*6.8*	*17.5*	*2.6*
Revenue growth (constant currency ['CC']) (%)	***8.6***	***19.1***	***3.6***
(a) CC revenue growth composition – Organic vs. Acq'n			
- Organic	4.2	12.4	3.6
- Acquisition	4.4	6.7	nil
(b) CC revenue growth composition – US vs. intl			
- United States	10.8*	21[#]	2.6**
- International	(1.8)*	11[#]	15.9**
Adjusted EBITDA (US$m) – as reported	64.2	53.1	53.9
Adjusted EBITDA margin (%)	*31.2*	*26.6*	*25.7*
Operating cash flow (US$m)	46.4	40.3	35.1
Capitalised development spend & Capex (US$m)	(7.0)	(4.8)	(4.9)
Free cash flow (US$m)	39.4	35.5	30.1

Sources: Company announcements and SEC filings, Refinitiv; *Sept quarter revenue split: 85% US/15% international; [#]CY21 revenue split: 81% US/19% international; [#]CY21 revenue split: 92.5% US/7.5% international

Exhibit 12: US-listed Pureplay SaV Peers: Consensus Revenue Growth Estimates (%)

	FA	STER	HRT
December 2022 quarter*	3.3	2.3	(14.2)
By half-year			
December 2022 half year*	5.0	9.8	(5.7)
June 2023 half year	0.5	(1.0)	(11.5)
December 2023 half year	3.1	4.1	(0.3)
June 2024 half year	1.7	13.5	6.7
By Australian fiscal year equivalents			
FY23	2.8	4.0	(8.6)
FY24	2.5	8.9	3.2

Source: Refinitiv; *Includes negative currency impact on international revenue due to US$ strength

First Advantage Corp (FA)

- **September quarter revenue and December quarter outlook**: FA's September 2022 quarter revenue grew 6.8% on the pcp (and 8.6% on a constant currency basis) "*driven by continued strength in Americas segment, partially offset by foreign currency headwinds and macro-related softness in International segment.*"

  Other noteworthy comments (emphasis added):

  - *"During the third quarter, a portion of the outperformance from the first half was essentially given back due to increasing strong foreign currency headwinds, <u>macro-related declines in our International segment</u> and more <u>moderate but still positive organic growth in our Americas business</u>. We currently are experiencing a <u>continuation of similar trends so far in Q4</u> with October revenue growing, albeit at moderate levels, both year-over-year and sequentially month-over-month …"*
  - **APAC**: *"… most of the slowdown we're seeing is actually in APAC. EMEA is actually doing ok"* and *"… we've seen some slowdown in APAC. We're anticipating that, that's going to continue through Q4."*

- **Revised guidance**: *"We now expect to generate full year 2022 revenue in the range of $813m to $820m, representing approximately 14%-15% year-over-year growth, down slightly from prior guidance and equating to 9%-10% growth on an organic basis."*
- **CY23 outlook**: "*Even with the headwinds cited, we would expect to achieve growth for full year 2023, albeit below our long-term target ranges."*

- **Digital ID verification – UK:** FA noted the launch of its digital ID verification solution in the UK during the quarter. It is provided through a technology integration partnership with Yoti (announced in February 2022).
- **M&A:** *"Our balance sheet strength, cash and liquidity position, low leverage and expectations for continued free cash flow generation provide us with flexibility in our approach to capital allocation. Our capital allocation priorities include constantly evaluating acquisitions, which target opportunities aligned with our strategic priorities, including adding vertical capabilities, expanding internationally or acquiring complementary solutions, data or technologies. As a result of our very strong and liquid balance sheet, consistent cash flow generation and a seasoned leadership team with deep M&A execution experience, we are well positioned to capitalize on future M&A opportunities that meet our criteria."*

Sterling Check Corp (STER)

STER specifically referred to the solid performance of its **Australian operations** in both its June and September 2022 quarter comments as highlighted below. Uber is its major gig customer in Australia.

- **September quarter revenue and December quarter outlook:** STER's 17.5% revenue growth included 12.4% organic constant currency revenue growth which "*was primarily driven by continued robust new client growth, significant growth in cross-sell and up-sell, and strong revenue retention*" and with "*US growth led by Healthcare, Industrials, and FinBiz verticals*" and "*International growth led by APAC region*."

  Noteworthy comments (emphasis added):

  - **APAC/Australia**: *"Revenue in our international business grew 11% on an organic constant currency basis. <u>International growth was led by the APAC region</u>, which continues to exhibit broad-based strength, including <u>Australia</u> and Singapore <u>due to new client wins and strong underlying performance</u>."*

    "… our Asia Pacific business [is] heavy in financial services and also in <u>gig in Australia, in particular</u>, and those are areas that we're <u>continuing to see good performance</u>."

  - **Q4 expectations:** *"We expect fourth quarter revenues to grow year-over-year on both a total and organic constant currency basis."*
  - **Revised guidance**: *"… our guidance includes full year organic constant currency revenue growth of 15% to 16.5%, <u>implying low single-digit organic constant currency growth in the fourth quarter</u> … Our industry diversification is providing us some protection against the verticals, most impacted by the current environment.*

    In particular, our health care, industrials and <u>APAC region are</u> all <u>showing growth so far in Q4</u>, helping offset declines in UK gig, retail, contingent and technology."

- **Identity verification offerings:**

  - *"In Q1 2023, we expect to start deploying our new solution with Yoti in the UK and have planned rollouts in various international markets throughout 2023."*

    June 2022 quarter comment regarding ID verification: *"… we continue to see really good traction there, particularly in the UK and <u>in Australia, where the uptake really looks good</u>."* (As abovementioned, STER's National Crime Check has an existing arrangement with Jumio AI for its digital ID verification offering in Australia).

- **M&A (June 2022 quarter comment):** *"We expect market consolidation to accelerate over the coming years, and we plan to be a key player in that dynamic … Still, we remain disciplined in our approach, and we'll wait patiently for the right deals at the right price with a focus on target quality, synergy upside and ease of integration."*

HireRight Holdings Corp (HRT)

September quarter revenue and December quarter outlook: HRT's September 2022 quarter revenue increased 2.6% on the pcp (and 3.6% on a constant currency basis). This lower relative growth rate (vs. FA and STER) primarily reflected the loss of US$6m revenue from a large customer that discontinued verifications after a significant supplier price increase was passed through by HRT. Excluding this impact, constant currency revenue growth would have been 6.5%.

Noteworthy comments (emphasis added):

- *"Although the first half of the quarter saw continued strong order volumes, we began to experience a noticeable decline in volumes from many of our enterprise customers during the back half … This uncertainty is causing some of our customers to slow the pace of hiring. To be clear, we are not observing a cessation in hiring … Rather, the pace of hiring with existing customers has slowed, and we expect that pressure to be felt until such time companies have a more confident economic outlook."*
- *"International markets began to show impacts from the macro changes sooner than the U.S. did, particularly in markets such as India where many of our technology clients have a significant presence … One continued bright spot in the international markets was Canada, which continued to grow at double-digit rates"* [34%].

Annexure D: Relevant IER Information - PYG, ELO, KYK

PYG

- The transaction with Deel Inc. arose from a **formal sale process** initiated by PYG in early December 2021. The process "*included engagement with a significant number of interested parties (based in Australia and overseas), including potential industry and financial buyers*", and indicative proposals to acquire 100% of PYG were received from a number of parties of which Deel's offer was the highest.
- The share price premium (174%) is "*well above observed premiums generally paid to target company shareholders in comparable circumstances (reflecting our view that there was a clear disconnect between the value attributed by share market investors in PayGroup prior to the announcement of the scheme and the inherent value of the company)*."
- The IER includes a **DCF valuation** ($107m-$120m EV using a 10.5% discount rate [1.0x beta]) and a **revenue multiple-based valuation** ($97m-$113m EV) and noted that they are broadly consistent with the range of final offers received from PYG's sale process.
- For the **revenue multiple-based EV,** it applied EV/ARR multiples of **3.8x-4.2x for SaaS** and **2.0x-2.4x for managed payroll services** noting that the significantly higher SaaS gross margins (63% vs. 43% managed payroll services) "*means that the SaaS business should trade on significantly higher EV/ARR multiples due to its significantly higher potential profitability at scale*."

ELO

- ELO noted it was the subject of several acquisition approaches: "*… prior to entering into the Scheme Implementation Deed, ELMO had received a number of approaches expressing interest in acquiring ELMO (with a number of these interested parties approaching the company following ELMO's announcement to the ASX on Tuesday, 14 June 2022 that the Company was previously in exploratory discussions with a party in relation to a change-of-control proposal). ELMO held discussions with select parties in the context of maximising shareholder value and provided limited due diligence access to certain of these parties*." In October 2022, the *Australian Financial Review* reported that Accel-KKR was one of the parties that had made a takeover approach.
- The IER includes a **DCF valuation** ($435m-$485m EV using a 12-13% discount rate [1.1-1.2x beta]).

KYK

- After Realwise made an initial unsolicited, non-binding and confidential proposal on 10 June 2022, KYK provided it with a budget for FY23. Realwise made an improved offer after considering the budget and the parties subsequently entered into the scheme implementation deed announced on 6 July 2022.
- KYK's FY23 budget includes **revenue** of $7.0m (up 81% yoy), 58% **gross profit margins** (vs. 54% in FY22), and an **EBITDA loss** of $4.8m (down from $5.7m loss in FY22). **Budgeted ARR** at 30 June 2023 is $9.5m (up 81% from $4.2m at 30 June 2022).
- *"Our high-level financial model also indicated that Kyckr will not be cash flow positive until FY26. On this basis it is our view that the $7.5m cash balance as at 30 June 2022 will be required to support the future operations of the business and as such have ascribed no separate value to it for the purpose of our valuation."*
- After evaluating relevant comparable transactions and ASX-listed SaaS company trading metrics, the IER concluded that an **FY22 EV/ARR multiple of 9.5x-11.0x** ($39.5m-$45.7m) is appropriate for KYK on a 100% controlling basis (vs. 11.3x FY22 EV/ARR implied by the offer). As a cross-check, the IER includes a **DCF valuation** ($40.5m-$48.4m EV).

Annexure E: KYP's Cited SaaS Platform - Closest Competitors

An overview of the five companies (all Australian-based) which appear to have the closest offerings to KYP's Cited SaaS platform is set out below:

- **MyPass Global**: MyPass Global is a Perth-based digital workforce management system designed to streamline safety and compliance in highly regulated industries. Its offering includes a digital skills and credentials 'passport' for workers. It has over 800 clients (with over 70,000 workers using the platform) including Woodside, Beach Energy, Methanex, Incitec Pivot, Chevron, Newcrest, BHP, EnerMech, Inpex, UGL, Programmed, Austin Health, Clough, Nepean Engineering, Broadspectrum and WeVolunteer. MyPass charges clients fees on a monthly basis based on the number of workers using the system.

  Following a capital raising in the December 2021 half, its major shareholders are Allectus Capital Limited (50% UIL Limited/50% Vix Limited and managed by ICM Limited) and Scalare Partners.

  In late November 2022, MyPass announced that BHP had awarded it a contract to provide contractor on-boarding, mobilisation, and management for its Global Contractor System commencing with the Nickel West mine in WA (November 2022) and Spence Mine in Chile (January 2023).

- **Rapid Global:** Rapid Global is a private Adelaide-based outsourced workforce compliance and management solutions provider. Its product offerings are 'Rapid Permit to Work', 'Rapid Contractor Management', 'Rapid Induct', 'Rapid Access', 'Rapid Auditor', 'Rapid Incident Reporting' and 'Rapid Risk'. Rapid Global has over 1,000 clients including Alinta Energy, South Gippsland Water, Port Authority of NSW, Mirvac, AMP Capital, Vicinity Centres, GPT, Bega, Wilmar Sugar, Noumi, Allied Pinnacle, several Victorian local councils, Quadric, Adchem, Victoria University, University of Queensland, Centacare, SCT Logistics, Australian Camp Services, Transdev Queensland and Gateway Lifestyle.

- **CredShare:** CredShare (controlled by GotSkill Platforms Limited) is a Perth-based early-stage company which is commercialising a platform to provide digital credential checking and business compliance management services for businesses on a subscription basis. Its offering includes a mobile app for employees and contractors. As abovementioned, CredShare recently signed a memorandum of understanding with Yoti for digital ID verification solutions.

  In November 2022, CredShare launched a capital raising targeting $2m (at a pre-raise valuation of $10m) to fund platform commercialisation in the property services, healthcare (including disability support) and hospitality industries, and to expand direct sales resources. This follows a ~$2.7m capital raising (at a post-raise valuation of $14m) in the December 2021 half (announced in February 2022). Existing shareholders include Ellerston Capital, ASX-listed Touch Ventures Limited (ASX:TVL) [which invested $1.0m in the December 2021 half raise], and the McBain and Langley families.

- **Pegasus:** Pegasus is a worker competency management software and services provider (including induction and learning management, supplier pre-qualification, site access and asset management) based in Newcastle with operations in Australia, UK, Europe and North America. Its clients include Visy, Ausgrid, Patrick Terminals, LendLease, Australian Rail Track Corporation, BHP Coal, Whitehaven Coal, Yancoal, QCoal, South32, Aeris Resources, Peabody, Downer, Aurizon, Otis, Woolworths and Aldi.

  It is owned by private equity-backed Avetta, a global provider of supply chain risk management software, which is majority owned by Welsh, Carson, Anderson & Stowe (a New York-based private equity firm).[18]

- **Camms:** Camms is an Australian-based integrated risk and performance management (strategy, projects, people) provider which offers 'Camms.Risk' within its product suite. Ellerston JAADE Australian Private Assets Fund has a 39% shareholding.

[18] Avetta acquired Pegasus in July 2021 from Accel-KKR and its other shareholders in exchange for equity in Avetta.

Exhibit 13: Financial Summary

Kinatico Ltd (formerly CV Check Ltd)					
Profit and Loss (A$m)					
Y/E 30 June	**FY20a**	**FY21a**	**FY22a**	**FY23f**	**FY24f**
Sales Revenue	12.4	17.5	26.4	30.5	37.1
- Transactional (SaV)	*12.4*	*16.9*	*24.0*	*24.8*	*24.7*
- SaaS	*0.0*	*0.6*	*2.4*	*5.7*	*12.4*
Gross Profit	6.7	10.3	16.8	20.1	25.4
GP margin %	54.6%	58.8%	63.6%	65.8%	68.5%
EBITDA	(0.4)	0.2	1.1	2.4	5.2
Depn	(0.3)	(0.3)	(0.4)	(0.4)	(0.3)
Amort	(0.8)	(1.0)	(2.0)	(2.5)	(2.8)
EBIT	(1.5)	(1.1)	(1.3)	(0.5)	2.1
Interest	(0.0)	0.0	0.0	0.3	0.3
Tax	0.2	0.0	(0.2)	(0.2)	(0.2)
NPAT pre significant items	(1.3)	(1.0)	(1.5)	(0.4)	2.2
Significant items	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	**(1.3)**	**(1.0)**	**(1.5)**	**(0.4)**	**2.2**
NPATA (ex Bright amort)	(1.3)	(0.7)	(0.3)	0.8	3.4
Cash flow (A$m)					
Y/E 30 June	**FY20a**	**FY21a**	**FY22a**	**FY23f**	**FY24f**
EBITDA	(0.4)	0.2	1.1	2.4	5.2
Interest	(0.0)	0.0	0.0	0.3	0.3
Tax pymts / R&D refunds	0.4	0.8	(0.1)	(0.2)	(0.2)
Work cap chgs/share pymts	(0.5)	(0.1)	2.1	0.1	(0.1)
Operating cash flow	(0.5)	1.0	3.1	2.6	5.2
Capex	(0.0)	(0.0)	(0.2)	(0.1)	(0.1)
Cap dev costs	(1.0)	(0.9)	(2.6)	(2.3)	(2.4)
Free cash flow	(1.5)	0.1	0.3	0.2	2.7
Acquisitions	0.0	(1.8)	(0.7)	0.0	0.0
Other	0.1	(0.1)	(0.0)	0.0	0.0
Cash flow pre financing	(1.3)	(1.8)	(0.4)	0.2	2.7
Equity	2.9	9.9	0.0	(0.2)	0.0
Other financing (leases)	0.0	0.0	(0.3)	(0.2)	(0.2)
Dividends paid	0.0	0.0	0.0	0.0	0.0
Net cash flow for year	1.5	8.2	(0.7)	(0.2)	2.5
Balance sheet (A$m)					
Y/E 30 June	**FY20a**	**FY21a**	**FY22a**	**FY23f**	**FY24f**
Cash	4.6	12.9	12.2	12.0	14.5
Accounts receivable	0.7	2.8	2.8	3.2	3.6
Inventory	0.0	0.0	0.0	0.0	0.0
Other current assets	0.7	0.6	0.2	0.2	0.2
Total current assets	*6.0*	*16.3*	*15.2*	*15.4*	*18.3*
PPE	0.4	0.3	2.0	1.6	1.4
Goodwill	1.4	4.7	4.7	4.7	4.7
Intangibles	1.5	11.2	11.8	11.6	11.2
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other non current assets	0.0	0.0	0.0	0.0	0.0
Total non current assets	*3.3*	*16.2*	*18.4*	*17.9*	*17.3*
Total Assets	9.2	32.5	33.7	33.4	35.6
Accounts payable	1.0	1.1	2.1	2.6	2.9
Short term debt	0.0	0.0	0.0	0.0	0.0
Contract liabilities	0.3	0.6	1.1	1.1	1.1
Other current liabilities	1.5	4.6	3.6	3.6	3.6
Total current liabilities	*2.7*	*6.3*	*6.8*	*7.3*	*7.6*
Long term debt	0.0	0.0	0.0	0.0	0.0
Other non current liabs	0.1	0.0	1.5	1.3	1.1
Total long term liabilities	*0.1*	*0.0*	*1.5*	*1.3*	*1.1*
Total Liabilities	2.8	6.3	8.3	8.6	8.7
Net Assets	**6.4**	**26.2**	**25.4**	**24.7**	**26.9**
Share capital	27.3	47.2	47.9	47.7	47.7
Retained earnings	(21.1)	(22.1)	(23.3)	(23.7)	(21.5)
Reserves	0.2	1.1	0.8	0.8	0.8
Minorities	0.0	0.0	0.0	0.0	0.0
Total Shareholder funds	**6.4**	**26.2**	**25.4**	**24.7**	**26.9**

Share price (21 Dec 2022)					A$	0.084
Half yearly (A$m)	**H1 21a**	**H2 21a**	**H1 22a**	**H2 22a**	**H1 23f**	**H2 23f**
Revenue	7.0	10.5	12.8	13.6	14.0	16.5
EBITDA	0.6	(0.3)	0.7	0.4	0.7	1.6
EBIT	0.0	(1.1)	(0.6)	(0.7)	(0.7)	0.1
NPAT (normalised)	0.0	(1.0)	(0.6)	(0.9)	(0.6)	0.2
Minorities	-	-	-	-	-	-
NPAT (reported)	0.0	(1.0)	(0.6)	(0.9)	(0.6)	0.2
EPS (normalised)	0.00	(0.24)	(0.14)	(0.20)	(0.13)	0.04
EPS (reported)	0.00	(0.24)	(0.14)	(0.20)	(0.13)	0.04
Dividend (cps)	-	-	-	-	-	-
Imputation	-	-	-	-	-	-
Operating cash flow	0.9	0.2	1.2	1.8	1.0	1.7
Free Cash flow	0.4	(0.3)	0.1	0.2	(0.8)	1.0
Divisions (half yearly)	**H1 21a**	**H2 21a**	**H1 22a**	**H2 22a**	**H1 23f**	**H2 23f**
SaV - CVCheck Platform	7.0	9.1	9.9	10.5	10.6	10.9
SaV - Bright	na	0.8	1.7	1.9	1.7	1.7
SaaS revenue - Bright	na	0.6	1.2	1.2	1.7	3.9
Sales revenue	**7.0**	**10.5**	**12.8**	**13.6**	**14.0**	**16.5**
COGS	(3.1)	(4.1)	(4.7)	(5.0)	(5.0)	(5.4)
Gross Profit	3.9	6.4	8.2	8.6	8.9	11.1
GP margin %	55.8%	60.7%	63.7%	63.5%	63.9%	67.4%
Employment	(2.7)	(3.7)	(5.0)	(5.1)	(5.9)	(6.9)
Marketing	(0.5)	(0.7)	(0.8)	(1.3)	(1.0)	(1.2)
IT	(0.2)	(0.3)	(0.6)	(0.8)	(0.7)	(0.8)
Other costs	(0.6)	(1.8)	(1.0)	(1.1)	(0.6)	(0.7)
Other income (gov grants)	0.6	(0.1)	0.0	0.0	0.0	0.0
EBITDA	**0.6**	**(0.3)**	**0.7**	**0.4**	**0.7**	**1.6**
Margins, Leverage, Returns		**FY20a**	**FY21a**	**FY22a**	**FY23f**	**FY24f**
EBITDA margin		(3.0%)	1.4%	4.0%	7.8%	14.1%
EBIT margin		(11.8%)	(6.1%)	(5.1%)	(1.6%)	5.6%
NPAT margin pre sig items		(10.1%)	(5.8%)	(5.7%)	(1.3%)	5.9%
Net Debt/(Cash)		(4.6)	(12.9)	(12.2)	(12.0)	(14.5)
Net debt/EBITDA (x)		nm	nm	nm	nm	nm
ND/ND+Equity (%)		nm	nm	nm	nm	nm
EBIT interest cover (x)		nm	nm	nm	nm	nm
ROA		(17.0%)	(5.1%)	(4.0%)	(1.5%)	6.1%
ROE		(22.3%)	(6.2%)	(5.8%)	(1.6%)	8.5%
ROIC		(19.6%)	(4.7%)	(4.6%)	(2.0%)	7.9%
NTA (per share)		0.01	0.02	0.02	0.02	0.03
Working capital		(0.3)	1.7	0.7	0.6	0.7
WC/Sales (%)		(2.2%)	9.8%	2.6%	1.8%	1.8%
Revenue growth (%)		(1.2%)	41.3%	50.9%	15.6%	21.8%
EBIT growth (%)		nm	nm	nm	nm	nm
Pricing		**FY20a**	**FY21a**	**FY22a**	**FY23f**	**FY24f**
No of shares (y/e)	(m)	292	429	434	432	432
Weighted Av Dil Shares	(m)	289	333	434	432	432
EPS Normalised/Diluted	cps	(0.4)	(0.3)	(0.3)	(0.1)	0.5
EPS growth (norm/dil)		nm	nm	nm	nm	nm
PE (x)		nm	nm	nm	nm	16.8
DPS	cps	-	-	-	-	-
DPS Growth		na	na	na	na	na
Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%
Dividend imputation		na	na	na	na	na
EV/Revenue (x)		1.6	1.3	0.9	0.8	0.6
EV/EBITDA (x)		nm	95.5	22.8	10.1	4.2
FCF/Share	cps	(0.51)	0.03	0.06	0.05	0.63
Price/FCF share (x)		nm	298	141	163	13.4
Free Cash flow Yield		(6.0%)	0.3%	0.7%	0.6%	7.5%

Source: Company data, RaaS Advisory estimates

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.
This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS
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P: +61 414 354712
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RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
    - Securities
- deal on behalf of retail and wholesale clients in relation to
    - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application from if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.
We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.
Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)
In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorised representatives.

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Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than $50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

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