

Pureprofile Ltd

FY22 Results Analysis

Delivers its maiden normalised NPAT

Pureprofile Ltd (ASX:PPL) 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. Pureprofile has reported its maiden normalised NPAT, pre-non-cash share based payments, of \$0.2m, up from a loss of \$3.36m a year ago. Revenue for the year was \$41.7m, up 39% on the previous corresponding period (pcp), as previously reported by the company at its Q4 results. Normalised EBITDA was \$4.04m, at the lower end of the company's guidance range for the year but up 28% on the pcp. Pureprofile has refrained from giving a guidance range for EBITDA for FY23 at this time but noted that it expected the FY23 EBITDA margin to be from 9-10% in-line with FY22. This is largely due to the investment the company has made, and which is still being absorbed, in additional talent and adjacent support (including new offices) to drive growth across the business. Management noted in its post-results investor webinar that it expects one of the benefits of this investment will be the UK surpassing Australia in revenues in FY24. We have adjusted our FY23 forecasts to reflect the margin guidance but also have given attention to our UK forecasts in FY24 which have been lifted. The overall impact to valuation, having also rolled the model for year-end, is a small pullback to \$0.09/share fully diluted (previously \$0.10/share). On the current share count (1,107m shares) the valuation is \$0.102/share.

Business model

Pureprofile generates its revenues 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 on-line 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.

FY22 was a breakout year operationally for PPL

PPL reported a 39% lift in FY22 revenue to \$41.7m, with a 50% increase in ex-ANZ Data & Insights revenue to \$11.2m. Across the group, growth in regions outside Australia exceeded growth in Australia, with an overall increase of 48% on the pcp. Revenue ex-Australia now represents 32% of total revenue, up from 29% a year ago, with the UK/Europe comprising 21.5% of revenue. The company has ambitions to grow its ex-Australia base and FY22 was a year of investment in people and infrastructure to do so. The company has guided that it expects to maintain its FY22 margin in FY23 as it focuses on growing its market share in regions outside Australia and that its employee costs as a percentage of revenue would be in-line with FY22 (31.3%). Our FY23 forecasts have been adjusted to reflect this guidance.

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

We use the discounted cashflow methodology to value PPL and arrive at a fully diluted DCF of \$0.095/share (previously \$0.10/share), based on a WACC of 13.6% (beta 1.6, terminal growth rate 2.2%). Our terminal value is \$0.049/share within our \$0.09/share valuation. On the current share count of 1,107.0m, our base-case valuation is \$0.102/share. In our view, continued demonstration of strong revenues growth, a sustained return to profitability, and further evidence of 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)
06/21a	30.0	16.8	3.1	(3.4)	(0.3)	1.6	15.3	n.a
06/22a	41.7	21.5	4.0	0.2	0.0	1.1	11.5	n.a
06/23f	48.0	25.0	4.4	0.3	0.0	1.0	10.6	n.m
06/24f	58.4	30.3	7.0	2.4	0.2	0.7	6.2	28.0

Source: RaaS estimates for FY23f and FY24f; Company data for historical earnings; *Adjusted for one-time and non-cash items

Media & Advertising

2nd September 2022

Share Details

ASX code	PPL
Share price (1-Sept)	\$0.044
Market capitalisation	\$48.7M
Shares on issue	1,107.0M
Net cash 30-Jun-2022	\$2.3M
Free float	~78.25%

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 acquisitions

Catalysts

- Expanding operating profitability to EPS growth
- Delivering EBITDA margin guidance for FY23

Board of Directors

Andrew Edwards	Non-Executive Chairman
Sue Close	Non-Executive Director
Tim Hannon	Non-Executive Director
Albert Hitchcock	Non-Executive Director
Martin Filz	Managing Director/CEO

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*The analyst owns shares

FY22 Result Discussion

Pureprofile delivered a 39% increase in revenues to \$41.7m and a 28% increase in EBITDA. The EBITDA margin for the year was 9.7%, down a little on FY21 (10.5%) after the company invested in people and infrastructure to build its presence outside Australia. The company is targeting 50% of its revenues to come from markets outside Australia; in FY22, 32% of revenues were from offshore. During FY22, Pureprofile opened two additional offices in Singapore and New York, bringing the total to nine, and grew its global team by 50 with senior appointments across all nine countries. Other FY22 highlights included:

- 136 new global clients signed in FY22; total client numbers increased to 757 in FY22 from 700 in FY21;
- Increased market research panellists by 43% over the course of the year;
- Revenue from new clients in FY22 delivered an additional \$5.3m in incremental revenue;
- Repeat client revenue was \$37.5m by the end of FY22, up from \$27.2m at the end of FY21 while annuity revenue increased to \$9.0m in FY22 from \$5.7m in FY21; and
- The company ended FY22 with \$5.3m cash in hand, or \$2.3m net cash, up \$1.7m on FY21.

Particularly pleasing was the growth in revenues reported by both the SaaS platform (up 217%) and the Data & Insights business outside Australia which grew by 50% to \$11.2m. Data & Insights delivered across-the-board sales growth from both the Asia Pacific (+22% to \$20.8m) and UK/EU/US (+50% to \$11.2m and contributing 84% of total revenues generated offshore).

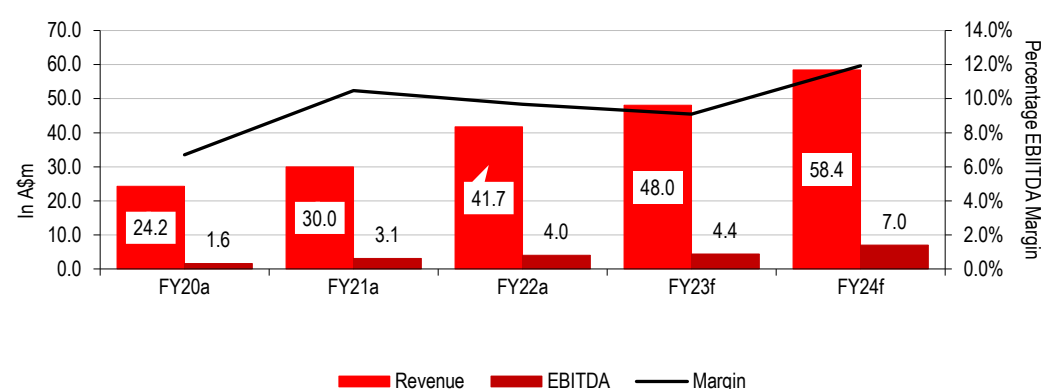
Exhibit 1: Sales revenues by division and EBITDA for FY22 vs FY21 and RaaS forecast
(in A\$m unless otherwise stated)

	FY21	FY22	% chg	RaaS fct
Data & Insights APAC	17.0	20.8	22.0	20.9
Data & Insights UK/EU/US	7.5	11.2	50.0	10.4
SaaS platform	1.1	3.5	217.0	4.4
Pure.amplify Media	4.4	6.2	42.0	6.3
Total revenues	30.0	41.7	39.1	42.1
EBITDA	3.1	4.0	28.0	4.2

Source: Company data, RaaS forecasts

Management highlighted that Pureprofile expects to maintain its FY22 EBITDA margin in FY23 as it builds its presence offshore and targets 50% of revenue overseas. The FY22 EBITDA margin was 9.5% and the FY23 EBITDA margin expected range is 9-10%. Beyond FY23, management hopes to grow the margin to levels generated by other data and insights companies. UK-listed YouGov (LON:YOU), one of the only listed international peers for PPL, has averaged EBITDA margins of 24% for the past three financial years and has been as high as 30% historically. Our forecasts in FY24 anticipate margin expansion to 11.9% as the company benefits from its investment in its international expansion. We are also anticipating that the UK will surpass Australia in terms of revenue in FY24.

Exhibit 2: Pureprofile's underlying EBITDA margin by actual for FY20-FY22 and RaaS's forecast for FY23f and FY24f



Source: Company data, RaaS analysis

Earnings Adjustments For FY23

As we highlighted in the previous section, our forecasts have taken into account management's EBITDA margin guidance for FY23 as well as the guidance for employment costs as a percentage of revenue. Our revised forecast now an EBITDA margin of 9.1% for FY23, which is the lower end the guided range. Our revenue forecasts have been adjusted to reflect the FY22 performance of each division. Self Service reported strong growth in FY22 but it was below our forecast and we have taken this into account in FY23. Correspondingly, our upgrade to Data & Insights reflects the stronger-than-forecast performance from the UK operations. We also reflect the cost inflation being felt in the UK and this rolls into our FY24 forecasts. We have also taken into account the non-cash depreciation and amortisation charges in FY22 and this has rolled through to our FY23 numbers. We are forecasting that Pureprofile reports NPAT pre-non-cash charges of \$0.3m in FY23. The changes are highlighted in the following exhibit.

Exhibit 3: Earnings adjustments FY23 (in A\$m unless otherwise stated)		
	FY23 old	FY23 new
Data & Insights	36.5	38.6
Pure.amplify Media	6.0	5.6
Self Service (SaaS) Platform	6.2	3.8
Total revenue	48.7	48.0
Gross profit	25.9	25.0
Gross profit margin %	53.1	52.1
EBITDA underlying	7.4	4.4
EBITDA margin %	15	9%
NPAT underlying	3.3	0.3
Source: Company data		

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

We believe the discounted cashflow 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 1.6, terminal growth rate of 2.2%). This derives a base-case valuation of \$0.09/share fully diluted for in-the-money options and performance rights. On the current share count of 1,107.0m, the valuation is \$0.102/share.

Exhibit 4: Base-case DCF valuation	
	Parameters
Discount rate (WACC)	13.6%
Terminal growth rate	2.2%
Beta	1.6
Present value of free cashflows (\$m)	50.8
Terminal value (\$m)	60.3
Plus net cash at 30-Jun-2022	(2.3)
Equity value (\$m)	113.3
Shares on issue (m) including in-the-money options and performance shares	1,265
Equity value per share fully diluted	\$0.09
Equity value per share on current share count (1,107.0m)	\$0.102
Source: RaaS estimates	

Exhibit 5: Financial Summary

Pureprofile						Share price (1 September 2022)						A\$	0.044
Profit and Loss (A\$m)						Interim (A\$m)		H121A	H221A	H122A	H222A	H123F	H223F
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Revenue		14.7	16.2	21.1	21.2	22.9	25.1
						EBITDA		1.3	1.8	2.5	1.6	1.9	2.5
Sales Revenue	24.2	30.0	41.7	48.0	58.4	EBIT		(0.6)	(0.0)	0.8	0.0	0.2	0.6
Gross Profit	13.7	16.8	21.5	25.0	30.3	NPAT (normalised)		(3.2)	(0.2)	0.5	(0.3)	0.0	0.3
EBITDA underlying	1.6	3.1	4.0	4.4	7.0	Minorities		-	-	-	-	-	-
Depn	(1.0)	(0.8)	(0.6)	(0.7)	(0.6)	NPAT (reported)		4.8	(2.0)	(0.5)	(1.6)	0.0	0.3
Amort	(3.3)	(3.0)	(2.7)	(2.8)	(2.5)	EPS (normalised)		(1.18)	(0.02)	0.05	(0.03)	0.00	0.03
EBIT underlying	(2.7)	(0.6)	0.8	0.9	3.8	EPS (reported)		1.80	(0.19)	(0.05)	(0.15)	0.00	0.03
Interest	(4.1)	(2.7)	(0.5)	(0.4)	(0.4)	Dividend (cps)		-	-	-	-	-	-
Tax	(0.0)	(0.0)	(0.1)	(0.1)	(1.0)	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		0.3	2.1	1.9	2.0	0.8	2.2
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow		1.2	3.2	3.0	3.2	2.2	3.7
NPAT pre significant items	(6.9)	(3.4)	0.2	0.3	2.4	Divisions		H121A	H221A	H122A	H222A	H123F	H223F
Significant items	(2.9)	6.2	(2.4)	0.0	0.0	Data & Insights		11.7	12.2	15.4	16.7	18.4	20.2
NPAT (reported)	(9.8)	2.8	(2.2)	0.3	2.4	Media		2.4	2.7	3.4	2.7	2.8	2.8
Cash flow (A\$m)						Platform		0.4	0.7	2.0	1.5	1.7	2.1
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Sales revenue		14.4	15.6	20.8	20.9	22.9	25.1
EBITDA	1.6	3.1	4.0	4.4	7.0								
Interest	(0.3)	(0.2)	(0.3)	(0.4)	(0.4)	COGS		(6.7)	(6.5)	(10.0)	(10.2)	(11.0)	(12.0)
Tax	(0.1)	(0.0)	(0.1)	(0.1)	(1.0)	Employment		(4.8)	(5.5)	(6.2)	(6.8)	(7.3)	(7.8)
Working capital changes	0.1	(0.6)	0.2	(0.8)	0.3	Technology , licence fees		(1.1)	(1.2)	(1.5)	(1.8)	(1.9)	(1.9)
Operating cash flow	1.4	2.4	3.9	3.0	5.8	Other costs		(0.7)	(1.1)	(0.9)	(0.8)	(0.8)	(0.9)
Mtce capex	(0.0)	(0.0)	(0.1)	(0.7)	(0.7)								
Free cash flow	1.4	2.3	3.8	2.3	5.2	EBITDA		1.3	1.8	2.5	1.6	1.9	2.5
Growth capex	(2.4)	(2.0)	(2.2)	(2.1)	(2.1)								
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns		FY20A	FY21A	FY22A	FY23F	FY24F	
Other	0.0	0.0	0.0	0.0	0.0	EBITDA		6.7%	10.4%	9.7%	9.1%	11.9%	
Cash flow pre financing	(1.0)	0.3	1.6	0.2	3.1	EBIT		(11.2%)	(2.0%)	1.9%	1.8%	6.6%	
Equity	0.0	13.4	0.5	0.0	0.0	NPAT pre significant items		(28.5%)	(11.2%)	0.5%	0.6%	4.1%	
Debt	3.5	(10.8)	0.0	0.0	0.0	Net Debt (Cash)		(24.6)	0.6	2.3	2.5	5.5	
Dividends paid	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	(15.2)	0.2	0.6	0.6	0.8	
Net cash flow for year	2.5	2.9	2.2	0.2	3.1	ND/ND+Equity (%)	(%)	417.1%	(19.9%)	(111.4%)	(114.5%)	(361.9%)	
Balance sheet (A\$m)						EBIT interest cover (x)	(x)	n/a	n/a	0.6	0.5	0.1	
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	ROA		(15.1%)	(3.4%)	3.9%	4.4%	19.0%	
Cash	1.8	3.6	5.3	5.5	8.5	ROE		71.2%	(37.4%)	(53.4%)	6.7%	41.1%	
Accounts receivable	3.7	5.7	7.0	4.7	5.8	ROIC		32.4%	(4.0%)	36.2%	84.9%	nm	
Inventory	0.0	0.0	0.0	0.0	0.0								
Other current assets	1.2	1.7	1.8	1.8	1.8	Working capital		(2.2)	(1.5)	(1.9)	(1.1)	(1.4)	
Total current assets	6.7	11.1	14.1	12.0	16.1	WC/Sales (%)		(9.2%)	(4.9%)	(4.5%)	(2.3%)	(2.4%)	
PPE	0.2	0.1	0.1	0.1	0.1	Revenue growth		(9.3%)	23.8%	39.0%	15.2%	21.7%	
Intangibles and Goodwill	7.4	6.2	5.8	5.1	4.7	EBIT growth pa	n/a	n/a	(230.9%)	9%	344%		
Investments	0.0	0.0	0.0	0.0	0.0	Pricing		FY20A	FY21A	FY22A	FY23F	FY24F	
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	118	1,100	1,107	1,107	1,107	
Other non current assets	2.4	1.9	1.1	1.1	1.1	Weighted Av Dil Shares	(m)	118	1,058	1,089	1,107	1,107	
Total non current assets	10.0	8.3	7.0	6.3	5.9								
Total Assets	16.7	19.4	21.0	18.3	22.0	EPS Reported	cps	(8.2)	0.4	(0.2)	0.0	0.2	
Accounts payable	6.0	7.2	8.9	5.9	7.2	EPS Normalised/Diluted	cps	(0.2)	(0.3)	0.0	0.0	0.2	
Short term debt	24.4	0.0	0.0	0.0	0.0	EPS growth (norm/dil)		n/a	n/a	-106%	49%	472%	
Tax payable	0.0	0.1	0.1	0.1	0.1	DPS	cps	-	-	-	-	-	
Other current liabilities	2.9	3.5	3.6	3.6	3.6	DPS Growth		n/a	n/a	n/a	n/a	n/a	
Total current liabilities	33.3	10.8	12.5	9.5	10.8	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	
Long term debt	2.0	3.0	3.0	3.0	3.0	Dividend imputation		30	30	30	30	30	
Other non current liabs	0.1	1.9	1.1	1.1	1.1	PE (x)		-	10.5	-	160.1	28.0	
Total long term liabilities	2.1	4.9	4.1	4.1	4.1	PE market		15.0	15.0	15.0	15.0	15.0	
Total Liabilities	35.4	15.7	16.7	13.7	15.0	Premium/(discount)		(100.0%)	(30.2%)	(100.0%)	967.7%	86.7%	
Net Assets	(18.7)	3.7	4.4	4.7	7.1	EV/EBITDA		17.1	15.3	11.5	10.6	6.2	
						FCF/Share	cps	1.2	0.2	0.4	0.3	0.6	
Share capital	41.5	59.9	60.4	60.4	60.4	Price/FCF share		3.6	20.2	12.3	12.9	7.5	
Accumulated profits/losses	(60.4)	(57.6)	(59.8)	(59.5)	(57.1)	Free Cash flow Yield		28.1%	4.9%	8.1%	7.7%	13.3%	
Reserves	0.2	1.5	3.7	3.7	3.7								
Minorities	0.0	0.0	0.0	0.0	0.0								
Total Shareholder funds	(18.7)	3.7	4.4	4.7	7.1								

Source: RaaS estimates; Company data for actuals

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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Effective Date: 6th May 2021

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

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