

Pureprofile (ASX:PPL) RaaS Webinar Transcript

28 June 2024

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00:00:01:23 - 00:00:19:06

Finola Burke

Hello I'm Finola Burke from RaaS Research Group and today we're catching up with Martin Filz, the managing director, and Melinda Sheppard, the chief financial officer and chief operating officer of data analytics business Pureprofile, ASX ticker PPL. Welcome Martin and Melinda.

00:00:19:08 - 00:00:20:12

Melinda Sheppard

Hi Finola.

00:00:20:14 - 00:00:21:16

Martin Filz

Hi Finola.

00:00:21:18 - 00:00:33:00

Finola Burke

Great to have you back. Martin, you've announced that you've entered into a transaction agreement with i-Link Research Solutions. What does this mean and what is it that attracted you to this business?

00:00:33:00 - 00:01:00:24

Martin Filz

So firstly what attracted us to i-Link, so similar to Pureprofile. It's a 20-year-old company in the Australian market focusing just purely on the Australian market. It is a really strong brand in the Australian market. the, with a high reputation across clients in the industry for high level quality. The owners and the people, we all know each other in the industry.

00:01:01:00 - 00:01:28:20

Martin Filz

So, really similar culture also to Pureprofile. So a good fit from that perspective. A great team of 17 people, both onshore and offshore, and certain specialties that we, aren't necessarily involved in, such as, for example, deeply in government work. So there were a number of reasons, but it's a really strong business and also identified that there are great opportunities.

00:01:28:20 - 00:01:52:08

Martin Filz

It's like a mini version of Pureprofile and fantastic opportunities if we can relieve them of some of their capacity challenges, then they have a fantastic opportunity to grow further. So I'm really pleased about that. And then for Pureprofile again cements our position as market leaders in the Australian market, brings great new talent to the business.

00:01:52:11 - 00:02:03:09

Martin Filz

A large audience that they have that, augments our audience, that we can also use for our clients. And so it's, it's a win win for both companies.

00:02:03:11 - 00:02:13:15

Finola Burke

And, Melinda, can you take us through some of the metrics, of the i-Link's business in terms of revenue and EBITDA and the synergies that you expect? from the acquisition over time?

00:02:13:17 - 00:02:41:12

Melinda Sheppard

Absolutely. So I just want to reiterate our, guidance for FY24. So we are expecting revenue between 48 and 49 million. I can really confidently say that now we're almost at the very end of the financial year. If we'd owned i-Link this financial year that would have added around about 2.7 to \$2.8 million in revenue, to our revenue guidance, which is fantastic.

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Melinda Sheppard

So that really is a bit out of a revenue multiple, of the acquisition of about half a percent from an respective, just reiterating our guidance of 4.1 million to 4.5 million. and, if we'd owned, I think, through that period, that would have increased our EBITDA margin by about a half a per cent. on top of what we've, we're expecting, through this, financial year.

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Melinda Sheppard

It's also a cash-flow positive business. So that's fantastic. So that adds to our, operating cash flow from a positive perspective. From synergies. So, as we've mentioned in our, initial release, the founders will not be, will be retiring from the business, so there'll be some savings due to the founders. There are also, obviously premises costs.

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Melinda Sheppard

the team are currently located in, in Sydney CBD, so they'll move into our Sydney offices and other offices around, you know, locations there in so that that'll be, some further synergies. And one of the really important ones, we talk a lot

about, the fact that, in our business, sometimes we have to go out and buy, missing pieces of, sample when we don't have that within our own panel.

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Melinda Sheppard

Obviously, in Australia, we have a really large panel, a really large network of audiences through our partners such as Flybuys and Shopback, etc. so there's some real opportunity for, I think, to when they have missing pieces of sample that they need to acquire, that they can then use our network. So those synergies we in the industry we would call in-sourcing and that allows, I think, to improve the margin on the revenue that they generate as well.

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Melinda Sheppard

So we'd be looking to see that, coming in, when they join us on Monday.

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Finola Burke

Thank you. Mel. Martin, great to give you what differentiates an online will be under your profile as opposed to if it had stayed with its some current ownership structure?

00:04:45:06 - 00:05:23:05

Martin Filz

Yeah. Thanks, Finola. I as it's said, you know that a Mel talks about the EBITDA. You know, the top line. If we'd have an impulse sell in financial year 24. Then we're looking at about an additional \$2.7 million of revenue. In addition to that margin expansion that that Mel talks about. When you're a small company like that, I've made, a couple of acquisitions before of similar panel companies when I worked at other organizations and the real opportunity you see is businesses are often constrained by capacity, and that can be human capacity.

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Martin Filz

so I haven't got enough people, my clients, I want to sell more work or I may sell more work. I need more people to do it. And in our space, also having, more audiences, more people that actually can do the surveys in this instance or sharing data. And so, with i-Link is a smaller version of Pureprofile, two elements of capacity constraints.

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Martin Filz

They have, people that 17 people, we're over 200, 220 people around the world. So immediately they have access to our operations teams in, India and the Philippines have over 100 people that they're able to do more work so they can go back to their client list for the 50 clients and actually be able to do more work because they have more capacity.

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Martin Filz

In addition, they have approximately 20,000, panellists as an audience to do surveys. Once again, we have considerably larger audiences in Australia than that. So once again, we've removed that capacity of panellists. So those they are able again to in-source as Mel talked about rather than going to third parties when they are missing people. But again be able to go back to clients and now in effect.

00:06:41:04 - 00:07:05:11

Martin Filz

So they must have access to unlimited resources in Australia in regards to panellist. So I've seen this where an organization has such constraints can suddenly grow off of that base that they that the that they have. In addition for Pureprofile, they've got a couple of things that we love. So they've got some really cool software, which they use for their scripting client delivery.

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Martin Filz

We don't have anything like that enable us to be faster and also more cost efficient, because we can use internal tools rather than external tools. As a particular vertical, they work, more across government agencies. so that, again, is a tool that that gives us an opportunity for, for new client verticals that we're expertise in. And then, thirdly, their audience interestingly, is slightly skewed to the older audience.

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Martin Filz

Again, something that we're always looking for, for, for the Pureprofile clients. And so that gives us an ability to expand that work. So really is both companies can leverage the strengths of each other and it is a case of, you know, one plus one equals three. In addition, our plans are to keep both brands, front end brands in the market, differentiate those brands through some service offerings.

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Martin Filz

And then behind the scenes, the operations, the panels, the systems will all be integrated into one simple workflow where again, as Mel talked about, we see the synergies.

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Finola Burke

And not the least not is that that i-Link has 50 clients. is there any overlap with your existing client base?

00:08:24:05 - 00:08:57:01

Martin Filz

Yeah. yes, that's a good question. So obviously as market leaders, in Australia we work most of the brands. Around about 25% to 50% of the brands that i-Link actually works with, Pureprofile doesn't work. And I work with, link because I think actually offers something different to being the way that they service clients could be, again, this software tool that they have skew towards, know the demographics and audience.

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Martin Filz

So, we've we've got a set a good potential clients we don't work with. In addition, we've got clients that we do things work to. But again, there's some certain types of work that lends itself really well to i-Link, the way that the teams work and, the audience I have, that means that will carry on with the major clients.

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Martin Filz

And in fact, yesterday, I spoke to a good number of, significant clients, as did our teams. And across the board, we had really, really positive feedback. These two strong brands coming together, high quality, service, high quality delivery. And our clients, when we had joint clients and also separate clients, could all see the benefits of that.

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Martin Filz

I also did a number of calls with all of our teams, their teams, being really excited about coming across Pureprofile and having access to all of those, tools and those resources. And in turn, our teams really excited about us making that move to an investment in another organization that gives us some nuances. And I spoke to some shareholders as well.

00:10:07:11 - 00:10:32:22

Martin Filz

And our significant shareholders, again, really positive about the fact that we're making acquisition. We're making acquisition out of cash reserves rather than any dilution. the metrics, again, as Mel talk make absolute sense in this deal. It's not dilutive at all. It's actually very positive across all the Pureprofile's metrics. So I've got a positive tick from all sides.

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Martin Filz

And now we get to the work of integration and working together as of the 1st of July.

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Finola Burke

Mel, as I understand it, i-Link had some international standard, standards, accreditation that Pureprofile is seeking to put in place. Does that provide benefit to you, Does that come across to Pureprofile and what has that brought in terms of customers?

00:11:01:21 - 00:11:28:02

Melinda Sheppard

Yeah. So, Martin talked a little bit about the client mix and, the fact that i-Link do have a number of clients that they work with that we don't presently work with, A key reason why they haven't been working with Pureprofile in addition to obviously, the way they work is the fact that, I think has the ISO 27 001, international IT standard accreditation.

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Melinda Sheppard

I'm very pleased to announce that we're very close to getting it for Pureprofile. we should have it finalized by the end of July. We've been working on that for about, 6 to 9 months implementing that. And the reason that we were implementing it was to make sure that we could then pick up more clients.

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Melinda Sheppard

Obviously there's a keen interest with a lot of clients with that accreditation. currently off the back of the cyber security breaches. So we've, we've done it, we've put the we've done the implementation predominately for commercial reasons, but also obviously it improves our own systems and processes, which is really important. So we do maintain the accreditation.

00:12:08:04 - 00:12:29:11

Melinda Sheppard

So we're comfortable with that coming in. and you know, the way that they're working has been accredited and the way that Pureprofile works from an operational process perspective and systems is will be accredited as well. So it's kind of like, I suppose, joint benefit for both companies from that perspective. And they've had that accreditation for a couple of years as well.

00:12:29:11 - 00:12:34:21

Melinda Sheppard

So they've got it really well bedded down their processes from that perspective.

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Finola Burke

And Melinda, the release noted, that i-Links' LiveTribe panellists are highly engaged. I mean, why is that so and does that complement your existing panel?

00:12:44:23 - 00:13:05:10

Melinda Sheppard

Yeah, absolutely. As Martin said, there's some key demographics that i-Link have particularly with older, audiences that we, don't have as much. So that's fantastic. That allows, Pureprofile clients to use the i-Link panel as well. So key part of the due diligence when we're looking at acquiring the business was we obviously wanted to know what the audiences were.

00:13:05:10 - 00:13:32:05

Melinda Sheppard

So we did a lot of tests to make sure that, the panellists were, great quality. One of the things that we're really well known for, a couple of things that we're really well known for, is, the quality of the research that we do. that's very, very important in particular, for, for, for brands, obviously, to make sure that, you know, if they're making decisions, they're making it off really good quality data and that we, fulfill that research with speed.

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Melinda Sheppard

speed is really important to clients, and that's what we're well known for. So we wanted to make sure that when we acquired i-Link that we we conducted a few tests to make sure that what we were acquiring would, would complement us and would continue, to provide those fast quality services for not only our clients but their clients.

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Melinda Sheppard

So, we're really comfortable that we've acquired a really high quality, audience with i-Link.

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Finola Burke

Martin, this is the first acquisition that Pureprofile has entered into under your leadership. can we expect more acquisitions of this nature?

00:14:10:06 - 00:14:37:03

Martin Filz

Again, a good question. I think Finola, for us, we've demonstrated over the last four years, organically, we've been operating cash flow for positive for the best part of four years. So within our means, we've been able to organically grow the business and, you know, we've gone from five countries four years ago now in 13 countries, gone from about 600 clients to over 850 clients.

00:14:37:05 - 00:15:05:19

Martin Filz

And revenues just melted back guidance from around about \$20 million to to over \$48 million. And and that short space, time and all organically. We've been very conscious that, that, you need to be careful about acquisitions, careful with

shareholders' money because ultimately that is that is what you're, using. And it really needs to be additive for us as a business.

00:15:05:19 - 00:15:38:02

Martin Filz

So, we continue, opportunities often come across my desk and Mel's desk, and we'll continue to look at those, but we sort of sit within the, key criteria, which is, number one, it can't be dilutive to the metrics of Pureprofile. And that's looking at our market cap versus our revenue, EBITDA. And as we announced at the end of half one now, NPAT positivity for half. So we need to ensure that any acquisition isn't diluted.

00:15:38:02 - 00:16:02:13

Martin Filz

That number one number two, it is actually clear on strategy and clear on the direction we're heading. it's, it's and it's within our business, within it. So that makes it easy to integrate, easy to move forward, easy as it's not to carry out due diligence, etc.. And then does it accelerate anything that we're going to do.

00:16:02:14 - 00:16:27:06

Martin Filz

Can we actually see that as with, i-Link bringing on a company so \$2.7 million of revenue, identify synergies. And actually, is that going to accelerate where we were, planning to be in financial year 25? So as long as it meets those three strict criteria, that we have, then that's absolutely something we look at.

00:16:27:07 - 00:16:48:17

Martin Filz

Makes sense. And again, we do that with consultation, obviously internally with our teams and then with shareholders also, understanding if, if that fits within, again, the metrics and the thought for the direction of the company. So lots of criteria, but yes, opportunities come across our desk.

00:16:48:17 - 00:16:55:02

Finola Burke

Thank you, Martin and Melinda, for your time today. I'm looking forward to catching up with you both on Pureprofile's progress in FY25.

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