

# K2fly Limited

## Expanding responsibly

K2fly Ltd (ASX:K2F) sells enterprise software and services across a range of ESG solutions to the mining sector. ESG is an increasing focus for not only mining companies but other stakeholders including shareholders and the broader community, and in many instances K2F has the only 'off-the-shelf' solutions in the market currently. The recent June quarter saw a number of quarterly records including record cash receipts at \$5.4m (+170% on the pcp), and record operating cashflow (+\$1.7m). Annualised Recurring Revenue (ARR) reached \$6.0m in June 2022, 76% above FY21, which is at the top-end of peer group growth for the period. First-time contracts were signed with the likes of BHP, Freeport McMoRan and Sibanye-Stillwater. Cash at bank ended FY22 at \$8.3m, aided by both a recent strategic placement to fellow mining software provider Maptek and the seasonally strong Q4 billing cycle. This provides the group with significant runway for ongoing product development. The recent Maptek placement has seen the group become a major shareholder (~13%) and board seat holder. In FY22 K2F delivered revenue growth of 44% and an adjusted EBITDA loss of ~\$3.6m, up from ~\$1.5m as the group invested into human resources to take advantage of the ESG opportunity ahead.

## Business model

K2F licenses software together with associated consulting and implementation services to large/enterprise mining companies around the world. Key software products address the resource governance and ESG issues that mining companies are prioritising and centre around mineral resources and reserves governance (RCubed), community and heritage/land access (Infoscope), mining technical assurance (Sateva), and rehabilitation and tailings management (Decipher). In a number of these areas, K2F's offering is the world's only 'off-the-shelf' solution. New contracts typically involve an implementation fee and then annual recurring licence payments (SaaS fees). Contract durations are typically three-to-five years (average 3.4 years) with a strong probability of renewal as they become embedded in the key work processes of clients. Utilising existing client relationships, K2F is looking to increase the number of software solutions a client purchases through product development and marketing.

## Well-positioned to cement leading ESG solutions for miners

K2F has a history of acquiring ESG software solutions before a demand inflection point and improving on the product post-ownership. A cash position of \$8.3m provides a significant funding runway for further product development to cement its market-leading position. The breadth of mining clients using generally one-to-two of K2F's nine ESG solutions provides significant opportunities for further revenue growth.

## Software and Service peers

K2F's peers are listed small to mid-cap enterprise software/service providers that are typically loss making with products still gaining market traction. This includes the likes of Prophecy (ASX:PRO), 8Common (ASX:8CO) and SkyFii (ASX:SKF). RPM Global (ASX:RUL) is also focused on selling software to mining companies, while Envirosuite (ASX:EVS) has an ESG slant focusing on measuring variable such as noise and water quality.

### Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	ARR	Revenue	EBITDA adj.*	NPAT rep.	EPS adj.* (c)	EV/Revenue (x)	EV/ARR (x)
06/19a	na	3.8	(2.0)	(2.00)	(0.03)	3.5	n.a.
06/20a	2.3	5.6	(1.6)	(1.60)	(0.02)	2.9	7.0
06/21a	3.4	7.0	(1.5)	(1.97)	(0.02)	3.0	6.2
06/22a	6.0	10.0	(3.6)	(4.10)	(0.02)	3.5	5.8

Source: Company data; \*EBITDA, NPAT and EPS adjusted for one-time, non-cash items

## Software & Services

9<sup>th</sup> September 2022

### Share Details

ASX code	K2F
Share price (8-Sept)	\$0.20
Market capitalisation	\$34.8M
Shares on issue	173.8M
Net cash at 30-Jun-2022	\$8.3M
Free float	~54%

### Share Performance (12 months)



### Upside Case

- New contracts with new mining customers
- New/existing products for existing customers
- Maptek collaboration benefits

### Downside Case

- Large customers take software in-house
- Contract renewals at discounted prices
- Loss of key people

### Catalysts

- Further contract signings
- New ESG regulation start dates

### Comparable Companies (Aust/NZ)

RPM Global (ASX:RUL), Envirosuite (ASX:EVS)

### Board and Management

Jenny Cutri	Non-Exec. Chair
Nic Pollock	CEO
Brain Miller	Non-Exec. Director
Neil Canby	Non-Exec. Director
Peter Johnson	Non-Exec. Director
James Deacon	Non-Exec. Director

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# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

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**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**



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

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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