

Guidance for underlying EBITDA margin of 11% for FY23

Pureprofile Ltd (ASX:PPL) is a data analytics and consumer insights business underpinned by proprietary technology, servicing business decision makers in brands and media companies as well as market researchers. The company has an established position delivering insights to clients across 89 countries and has captured through its panel fully declared, deep consumer profiles, first-party data and insights. Pureprofile has delivered a 22% increase in quarterly revenue to \$10.3m from its core Data & Insights and SaaS platform businesses. Normalised EBITDA from these businesses increased 121% to \$1.0m for the quarter. The company has also announced the closure of its Pure.amplify media business in Australia and provided updated guidance both including and excluding the discontinued operations. Pureprofile now expects its FY23 revenue, including Pure.amplify, to be at the bottom end of its \$48-\$52m range and for the EBITDA margin to be 9%, again at the bottom of the 9-10% guidance range. Excluding Pure.amplify, revenue guidance is now \$45m and the EBITDA margin is 11%. We have adjusted for Pure.amplify's closure with the improved margin increasing our valuation to \$0.10/share, fully diluted, from \$0.093/share previously.

Business model

Pureprofile generates its revenue from providing data analytics and consumer insights derived from its actively managed panels of digital members accessed through its proprietary technology platform. In a world where privacy is increasingly valued, consumer insights and profiles generated through online panels allow businesses to gain the ability to segment, target and engage with their audiences without consumer privacy issues. In exchange, consumers are directly financially rewarded for their information and responses and indirectly through more relevant content and personalised experiences.

EBITDA margin improving, strong revenue growth intact

PPL has reported Q3 FY23 revenue of \$10.3m, excluding the discontinuing Pure.amplify business, which was up 22% on the previous corresponding period. EBITDA from continuing businesses was \$1.0m, up 121% on the pcp and a margin of 10%. The company has guided for full year revenue, excluding discontinued operations of \$45m and an EBITDA margin of 11%, which points to an EBITDA of \$4.95m. This suggests Q4 revenue of \$12.5m and EBITDA of \$1.65m. We have adjusted our forecasts to exclude Pure.amplify and reflect the company's new guidance for the continuing business of revenue of \$45m and an EBITDA margin of 11%. On the latter, we are forecasting 10.4%.

Base-case DCF valuation of \$0.10/share, fully diluted

We use the discounted cashflow methodology to value PPL and arrive at a fully diluted DCF of \$0.10/share (previously \$0.093/share), based on a WACC of 13.6% (risk-free rate of 3.5%, beta of 1.6). On the current share count, our valuation is \$0.114/share. In our view, demonstration of an improving EBITDA margin together with continued revenue growth will underpin the share price in the near-term. A more focused company and shift to profitability will assist in this re-rating.

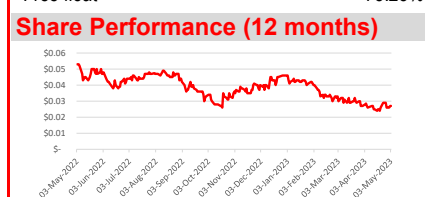
Year end	Revenue	EBITDA adj.	NPAT rep.	EPS rep. (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/21a	30.0	3.1	(3.4)	(0.3)	0.9	8.9	n.a
06/22a	41.7	4.0	(2.2)	0.02	0.6	6.6	n.a
06/23f	45.2	4.7	(0.5)	0.07	0.6	5.8	nm
06/24f	50.2	6.0	1.6	0.14	0.5	4.6	18.8

Source: RaaS estimates for FY23f and FY24f; Company data for historical earnings

Media & Advertising

4 May 2023

ASX code	PPL
Share price (3-May)	\$0.027
Market capitalisation	\$31.8M
Shares on issue	1,107M
Net cash 31-Dec-2022	\$1.1M
Free float	~78.25%



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

Company Interviews

[Pureprofile \(ASX:PPL\) RaaS Interview 4 May 2023](#)
[Pureprofile \(ASX:PPL\) RaaS Interview 2 March 2023](#)

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Q3 FY23 Result Analysis

Pureprofile has delivered a strong Q3 result with revenue jumping 22% to \$10.3m with growth across all the continuing operations. The EBITDA margin from continuing businesses for the quarter was 10%. Pure.amplify media generated an EBITDA loss of \$200k for the quarter and year to date a loss of \$375k. Revenue from the media division was \$2.9m. Pureprofile projects a cost of \$0.45m from the discontinuation and this will be treated as a one-time item.

The continuing business units, Data & Insights and SaaS platform delivered strong growth with D&I APAC up 13% to \$5.5m in revenue, D&I UK/EU/US up 33% to \$3.8m and SaaS up 35% to \$1.0m.

Exhibit 1: Q3 FY23 versus Q3 FY22 (in A\$m unless otherwise stated)			
	Q3 FY22	Q3 FY23	% change
Data & Insights APAC	4.9	5.5	13
Data & Insights UK/EU/US	2.8	3.8	33
SaaS platform	0.8	1.0	35
Total Revenue	8.4	10.3	22
EBITDA	0.5	1.0	121
EBITDA Margin (%)	5.0	10.0	50
Source: Company data			

Year to date, the continuing businesses have generated a 26% increase in revenue to \$32.5m and EBITDA (excluding share based payments) of \$3.3m. The margin this YTD is 10%. The company has provided guidance that it expects to report FY23 EBITDA margin of 11% and revenue of \$45m from continuing operations. This suggests Q4 revenue of \$12.5m and EBITDA of \$1.65m. Q4 is traditionally the company's strongest quarter.

Exhibit 2: YTD FY23 versus YTD FY22 (in A\$m unless otherwise stated)			
Nine months to	March 31 FY22	March 31 FY23	% change
Data & Insights APAC	15.1	18.1	20%
Data & Insights UK/EU/US	7.9	11.2	41%
SaaS platform	2.7	3.2	17%
Total Revenue	25.8	32.5	26%
EBITDA	2.6	3.3	28%
EBITDA margin (%)	10.0	10.0	flat
Source: Company data			

Outlook

Pureprofile has guided to revenue at the lower end of its guidance range of \$48m-\$52m and EBITDA at the lower end of its margin range of 9-10% including the media business. Excluding Pure.amplify, Pureprofile expects to report FY23 revenue of \$45m and an EBITDA margin of 11%. Pureprofile has also reiterated that it expects H2 and FY23 operating cashflow to remain positive.

The company has noted that it continues to be focused on growing its data and insights business through international expansion, in particular in the US and UK, through SaaS growth and through technology improvements.

Pureprofile is also continuing its focus on improving its balance sheet and noted that it is considering a number of term sheets for its debt renewal with the expectation that a new facility will be in place by the end of Q4.

Earnings adjustment

We have updated our financial model to reflect the discontinuation of Pure.amplify including the one-time charge of \$0.45m from closing the operation. Our forecasts have also taken into account the year to date performance of the Data & Insights and SaaS businesses and the company's new revenue and EBITDA margin guidance. Overall, the closure of Pure.amplify is positive for the company, with higher operating profit (around 10%) going forward.

Exhibit 3: Earnings adjustments to FY23 and FY24 (in A\$m unless otherwise stated)

	FY23 old	FY23 new	FY24 old	FY24 new
Data & Insights	41.3	40.9	46.1	45.1
Self Service Platform	4.5	4.3	5.3	5.1
Total Revenue	50.8	45.2	51.4	50.2
Gross profit	25.1	22.7	28.1	25.3
Gross profit margin	50%	50%	50%	50%
EBITDA underlying	4.4	4.7	6.0	6.0
EBITDA margin	9%	10%	11%	12%
NPAT underlying	0.6	0.8	1.6	1.6

Source: RaaS forecasts

Base-Case DCF Valuation Is \$0.10/share (previously \$0.093/share)

We believe the discounted cashflow methodology is the most appropriate method to value PPL, given the relatively early stage of the company's lifecycle. This derives a base-case valuation of \$0.10/share fully diluted for in-the-money options. On the current share count of 1,107m, the valuation is \$0.114/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)	56.8
Terminal value (\$m)	68.6
Plus net cash at 31-Dec-2022	1.1
Equity value (\$m)	126.6
Shares on issue (m) inc. in-the-money options and performance shares	1,263.5
Equity value per share	\$0.10

Source: RaaS estimates

Exhibit 5: Financial Summary

Pureprofile						Share price (3 May 2023)						A\$	0.027				
Profit and Loss (A\$m)						Interim (A\$m)						H122A	H222A	H123A	H223F	H124F	H224F
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Revenue	20.1	22.3	22.1	23.0	24.4	25.8					
						EBITDA	2.3	1.7	2.2	2.5	2.8	3.2					
Sales Revenue	24.2	30.0	41.7	45.2	50.2	EBIT	0.8	0.0	0.7	0.8	1.0	1.6					
Gross Profit	13.7	16.8	21.5	22.7	25.3	NPAT (normalised)	0.5	(0.3)	0.4	0.4	0.6	1.0					
EBITDA underlying	1.6	3.1	4.0	4.7	6.0	Minorities	-	-	-	-	-	-					
Depn	(1.0)	(0.8)	(0.6)	(0.5)	(0.7)	NPAT (reported)	(0.5)	(1.6)	(0.5)	(0.0)	(0.0)	1.0					
Amort	(3.3)	(3.0)	(2.7)	(2.8)	(2.6)	EPS (normalised)	0.05	(0.03)	0.03	0.04	0.05	0.09					
EBIT underlying	(2.7)	(0.6)	0.8	1.5	2.7	EPS (reported)	(0.05)	(0.15)	(0.05)	(0.00)	(0.00)	0.09					
Interest	(4.1)	(2.7)	(0.5)	(0.5)	(0.4)	Dividend (cps)	-	-	-	-	-	-					
Tax	(0.0)	(0.0)	(0.1)	(0.2)	(0.7)	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	1.9	2.0	0.4	1.7	1.4	2.5					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	3.0	3.2	1.7	3.1	2.8	3.8					
NPAT pre significant items	(6.9)	(3.4)	0.2	0.8	1.6	Divisions	H122A	H222A	H123A	H223F	H124F	H224F					
Significant items	(2.9)	6.2	(2.4)	(1.3)	(0.6)	Data & Insights	15.4	16.7	20.1	20.8	22.0	23.2					
NPAT (reported)	(9.8)	2.8	(2.2)	(0.5)	1.0	Media	3.4	2.7	0.0	0.0	0.0	0.0					
Cash flow (A\$m)						Platform	2.0	1.5	2.2	2.2	2.4	2.7					
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Sales revenue	20.8	20.9	22.2	23.0	24.4	25.8					
EBITDA	1.6	3.1	4.0	4.7	6.0	COGS	(9.8)	(10.4)	(11.0)	(11.4)	(12.1)	(12.8)					
Interest	(0.3)	(0.2)	(0.3)	(0.4)	(0.4)	Employment	(6.7)	(6.4)	(7.1)	(7.1)	(7.4)	(7.7)					
Tax	(0.1)	(0.0)	(0.1)	(0.3)	(0.7)	Technology, licence fees	(0.6)	(2.7)	(0.8)	(0.9)	(0.9)	(1.0)					
Working capital changes	0.1	(0.6)	0.2	(2.0)	(1.1)	Other costs	(0.6)	(1.1)	(1.1)	(1.1)	(1.1)	(1.2)					
Operating cash flow	1.4	2.4	3.9	2.1	3.8	EBITDA	2.3	1.7	2.2	2.5	2.8	3.2					
Mtce capex	(0.0)	(0.0)	(0.1)	(0.5)	(0.7)	Margins, Leverage, Returns		FY20A	FY21A	FY22A	FY23F	FY24F					
Free cash flow	1.4	2.3	3.8	1.6	3.1	EBITDA		6.7%	10.4%	9.7%	10.4%	12.0%					
Growth capex	(2.4)	(2.0)	(2.2)	(2.2)	(2.1)	EBIT		(11.2%)	(2.0%)	1.9%	3.3%	5.4%					
Acquisitions/Disposals	0.0	0.0	0.0	(0.0)	0.0	NPAT pre significant items		(28.5%)	(11.2%)	0.5%	1.8%	3.2%					
Other	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)		(24.6)	0.6	2.3	1.4	2.4					
Cash flow pre financing	(1.0)	0.3	1.6	(0.7)	1.0	Net debt/EBITDA (x)	(x)	(15.2)	0.2	0.6	0.3	0.4					
Equity	0.0	13.4	0.5	0.0	0.0	ND/ND+Equity (%)	(%)	417.1%	(19.9%)	(111.4%)	(38.2%)	(57.1%)					
Debt	3.5	(10.8)	0.0	(0.2)	0.0	EBIT interest cover (x)	(x)	n/a	n/a	0.6	0.3	0.2					
Dividends paid	0.0	0.0	0.0	0.0	0.0	ROA		(15.1%)	(3.4%)	3.9%	7.0%	12.3%					
Net cash flow for year	2.5	2.9	2.2	(0.9)	1.0	ROE		71.2%	(37.4%)	(53.4%)	(11.2%)	16.7%					
Balance sheet (A\$m)						ROIC		32.4%	(4.0%)	36.2%	82.3%	nm					
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Working capital		(2.2)	(1.5)	(1.9)	0.3	1.4					
Cash	1.8	3.6	5.3	4.4	5.4	WC/Sales (%)		(9.2%)	(4.9%)	(4.5%)	0.7%	2.8%					
Accounts receivable	3.7	5.7	7.0	6.8	7.6	Revenue growth		(9.3%)	23.8%	39.0%	8.3%	11.1%					
Inventory	0.0	0.0	0.0	0.0	0.0	EBIT growth pa	n/a	n/a	(230.9%)	86%	83%						
Other current assets	1.2	1.7	1.8	2.3	2.3	Pricing		FY20A	FY21A	FY22A	FY23F	FY24F					
Total current assets	6.7	11.1	14.1	13.6	15.4	No of shares (y/e)	(m)	118	1,100	1,107	1,107	1,107					
PPE	0.2	0.1	0.1	0.2	0.2	Weighted Av Dil Shares	(m)	118	1,058	1,089	1,107	1,107					
Intangibles and Goodwill	7.4	6.2	5.8	5.3	4.8	EPS Reported	cps	(8.22)	0.42	(0.20)	(0.05)	0.09					
Investments	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	(0.15)	(0.31)	0.02	0.07	0.14					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)		n/a	n/a	(106.0%)	292.5%	99%					
Other non current assets	2.4	1.9	1.1	2.1	2.1	DPS	cps	-	-	-	-	-					
Total non current assets	10.0	8.3	7.0	7.6	7.1	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Total Assets	16.7	19.4	21.0	21.2	22.4	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Accounts payable	6.0	7.2	8.9	6.5	6.2	Dividend imputation		30	30	30	30	30					
Short term debt	24.4	0.0	0.0	3.0	0.0	PE (x)		-	6.4	-	-	30.1					
Tax payable	0.0	0.1	0.1	0.0	0.0	PE market		15.0	15.0	15.0	15.0	15.0					
Other current liabilities	2.9	3.5	3.6	4.5	4.5	Premium/(discount)		(100.0%)	(57.1%)	(100.0%)	(100.0%)	100.8%					
Total current liabilities	33.3	10.8	12.5	14.0	10.7	EV/EBITDA		15.9	9.3	6.8	6.1	4.6					
Long term debt	2.0	3.0	3.0	0.0	3.0	FCF/Share	cps	1.2	0.2	0.4	0.2	0.4					
Other non current liabs	0.1	1.9	1.1	2.0	2.0	Price/FCF share		2.2	12.4	7.6	11.3	6.6					
Total long term liabilities	2.1	4.9	4.1	2.0	5.0	Free Cash flow Yield		45.8%	8.1%	13.2%	8.8%	15.1%					
Total Liabilities	35.4	15.7	16.7	16.0	15.7												
Net Assets	(18.7)	3.7	4.4	5.1	6.7												
Share capital	41.5	59.9	60.4	60.4	60.4												
Accumulated profits/losses	(60.4)	(57.6)	(59.8)	(59.9)	(58.3)												
Reserves	0.2	1.5	3.7	4.6	4.6												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	(18.7)	3.7	4.4	5.1	6.7												

Source: RaaS forecasts

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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

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