

Pureprofile Ltd

EBITDA set to hit top end of \$4.0m-\$4.4m guidance range

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 a 53% increase in H1 FY22 underlying EBITDA to \$2.48m, which was ahead of our forecast for \$2.41m. Underlying NPAT for H1 FY22 was \$0.51m, a turnaround from the \$4.39m underlying net loss reported in H1 FY21. The company has announced that it expects to deliver FY22 EBITDA at the top end of its guidance range of \$4.0m to \$4.4m. We have upgraded our FY22 revenue forecasts by 5.1% to \$42.6m but have taken into account the company's commentary around balancing its investment in its growth strategy, including expansion into new regions, and improving its operating margin. As a consequence, we have aligned our FY22 EBITDA forecast at the top end of the guidance range, which has resulted in an 8.5% reduction in our FY22 forecast. We have, however, upgraded our FY23 forecasts which we discuss on the following pages. Our DCF-derived valuation has increased to \$0.11/share (previously \$0.09/share) fully diluted for in-the-money options and performance shares. On the current share count, our base-case valuation is \$0.127/share (previously \$0.10/share).

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. 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 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.

Balancing growth investment with margin expansion

PPL reported better-than-forecast revenues of \$20.8m, an increase of 44% on H1 FY21. Underlying EBITDA of \$2.48m was also better than expected, up 53% on the previous corresponding period and ahead of our forecasts. Underlying NPAT was \$0.51m, a \$4.9m turnaround on the year before, but below our forecast for \$0.67m as a result of slightly higher-than-anticipated operating costs. The company's SaaS platform is particularly outstripping our expectations and we have upgraded our FY22 and FY23 revenue forecasts accordingly. This division is the key driver of our 5.1% upgrade to \$42.6m for FY22 and 7.7% increase in our FY23 revenue forecast to \$48.7m. We have taken into account a higher cost of sales and operating margin investment as Pureprofile invests and expands into new regions and this has resulted in a reduction in our FY22 EBITDA forecast to \$4.4m (\$4.8m previously), putting it at the top end of the company's guidance range.

Base-case DCF valuation of \$0.11/share fully diluted

We use the discounted cashflow methodology to value PPL and arrive at a fully diluted DCF of \$0.11/share, based on a WACC of 12.3% (beta 1.6, terminal growth rate 2.2%). Our terminal value is \$0.067/share within our \$0.11/share valuation. On the current share count of 1,100.5m, our base-case valuation is \$0.127/share. In our view, continued demonstration of strong revenue growth and a sustained return to profitability 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)
06/20a	24.2	13.7	1.6	(6.9)	(0.2)	1.2	17.7	n.a
06/21a	30.0	16.8	3.1	(3.4)	(0.3)	1.9	18.4	n.a
06/22e	42.6	22.5	4.4	0.5	0.1	1.3	12.6	36.7
06/23e	48.7	26.6	8.6	4.2	0.4	1.1	6.0	13.9

Source: RaaS estimates for FY22e and FY23e; Company data for historical earnings; *Adjusted for one-time and non-cash items

H1 FY22 Results Analysis

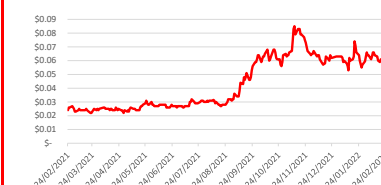
Media & Advertising

25th February 2022

Share Details

ASX code	PPL
Share price (24-Feb)	\$0.053
Market capitalisation	\$58.3M
Shares on issue	1,100.5M
Net cash 31-Dec-2021	\$1.7M
Free float	~78.25%

Share Performance (12 months)



Upside Case

- Clean slate with legacy acquisitions sold and costs minimised
- Senior management team is highly experienced in building data insights businesses
- 91% of revenues from repeat business and 25% (and growing) is subscription based (SaaS model)

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

Board of Directors

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

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H1 FY22 Result

Pureprofile has delivered its maiden underlying operating profit and a better-than-forecast H1 FY22 result with revenues lifting 44% to \$20.8m and underlying EBITDA up 53% to \$2.48m. Gross profit increased 40% for the half to \$10.85m, although below our forecast for \$11.23m as the company invested in new regions which initially will be lower-margin operations relative to the more mature Australian and New Zealand business. The company delivered an increased EBITDA margin in the half to 11.9% from 11.2% in H1 FY21, although slightly below our forecast for the half.

Exhibit 1: H1 FY22 versus H1 FY21 and RaaS forecasts (In A\$m unless otherwise stated)					
	H1 FY21	H1 FY22	% change	RaaS fct	
Revenue	14.44	20.84	44%	20.15	
Gross profit	7.74	10.85	40%	11.23	
EBITDA underlying*	1.62	2.48	53%	2.41	
EBITDA margin	11.2%	11.9%	6.0%	12.0%	
NPAT underlying*	(4.39)	0.51	(112%)	0.67	
EPS adjusted	(1.64)	0.05	(103%)	0.06	
Operating cashflow	0.29	1.88	558%	1.57	

Source: Company data, RaaS forecasts *excludes non-cash items such as share-based payments and one-time items such as restructuring costs

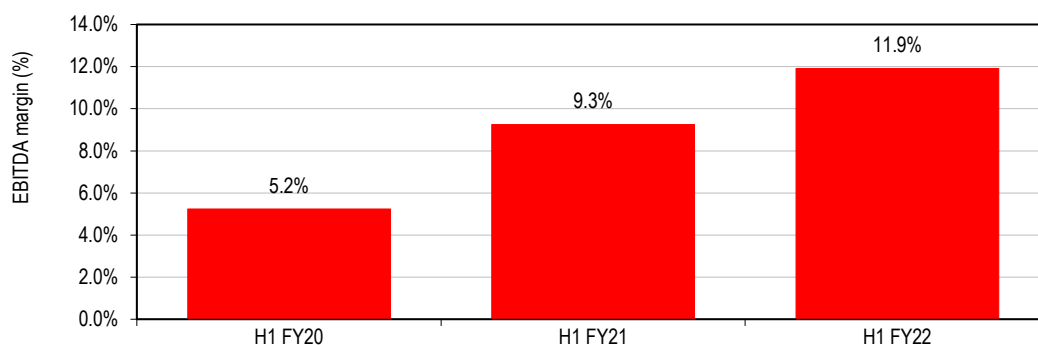
As reported in the Q2 result, the company's Data & Insights division delivered across-the-board sales growth from both the Asia Pacific (+25% to \$10.3m) and UK/EU (+52% to \$5.1m), and ahead of our forecasts. The Pure.amplify media business delivered revenue growth of 45% to \$3.5m for H1 FY22, which was around \$0.1m below our forecast for the half. The SaaS platform, however, outperformed with better-than-expected revenues of \$2.0m for the half, a 339% increase on PCP and well ahead of our forecast for \$1.4m. The SaaS platform is benefitting from brands seeking to collect and centralise customer data and insights and from the partnerships Pureprofile has struck with groups such as flybuys, News Corp and Raiz Invest.

Exhibit 2: Sales revenue by division (In A\$m unless otherwise stated)					
	H1 FY21	H2 FY22	% chg	RaaS fct	
Data & Insights APAC	8.2	10.3	25%	10.1	
Data & Insights UK/EU	3.3	5.1	52%	5.0	
SaaS platform	0.4	2.0	339%	1.4	
Pure.amplify Media	2.4	3.5	45%	3.6	
Total sales revenue	14.4	20.8	44%	20.2	

Source: Company data

Pureprofile has a stated ambition to improve its EBITDA margin and has done so consistently over the past three corresponding halves, from 5.2% in H1 FY20 to 11.9% in H1 FY22. Our forecasts anticipate Pureprofile growing this margin to 30% by FY26.

Exhibit 3: Pureprofile's underlying EBITDA margin by half-year FY20-FY22



Source: Company data, RaaS analysis

Earnings Adjustments For FY22 And FY23

We have adjusted our full-year forecasts to take into account the higher-than-forecast top-line growth from the SaaS platform and the Data & Insights business, with this growth offset by an increase in the cost-of-sales expectations for FY22 and FY23, reflecting the company's investment in new regions such as Singapore and Malaysia. Operating costs in H1 FY22 were also ahead of our expectations and have been captured in our FY22 EBITDA forecasts. We are now forecasting underlying EBITDA of \$4.4m versus our previous forecast of \$4.8m, putting our forecast at the top end of the company's guidance range.

Exhibit 4: Earnings adjustments FY22 and FY23				
	FY22 old	FY22 new	FY23 old	FY23 new
Data & Insights	30.4	31.1	34.0	34.9
Pure.amplify Media	7.2	7.0	7.7	7.6
Self Service (SaaS) Platform	2.9	4.5	3.6	6.2
Total revenue	40.5	42.6	45.3	48.7
Gross profit	22.6	22.5	26.7	26.6
Gross profit margin	55.9%	52.9%	58.9%	54.6%
EBITDA underlying	4.8	4.4	8.1	8.6
EBITDA margin	12%	10%	18%	18%
NPAT underlying	1.5	0.53	4.0	4.2
EPS adjusted	0.13	0.14	0.36	0.38

Source: Company data

Base-Case DCF Valuation Is \$0.11/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 12.3% (beta 1.6, terminal growth rate of 2.2%). This derives a base-case valuation of \$0.115/share fully diluted for in-the-money options and performance rights. On the current share count of 1,100.5m, the valuation is \$0.127/share.

Exhibit 5: Base-case DCF valuation	
	Parameters
Discount rate (WACC)	12.3%
Terminal growth rate	2.2%
Beta	1.6
Present value of free cashflows (\$m)	54.5
Terminal value (\$m)	83.0
Plus net cash at Dec-31-2021	(1.7)
Equity value (\$m)	139.2
Shares on issue (m) including in-the-money options and performance shares	1,265
Equity value per share fully diluted	\$0.11
Equity value per share on current share count (1,100.5m)	\$0.127

Source: RaaS estimates

Exhibit 6: Financial Summary

Pureprofile						Share price (24 February 2022)						A\$	0.053						
Profit and Loss (A\$m)						Interim (A\$m)						H120A	H220A	H121A	H221A	H122A	H222F		
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Revenue	13.2	11.1	14.7	16.2	20.8	21.8	EBITDA	0.7	0.9	1.3	1.8	2.2	3.0
Sales Revenue	26.7	24.2	30.0	42.6	48.7	EBIT	(1.5)	(1.2)	(0.6)	(0.0)	0.8	1.7	NPAT (normalised)	(3.3)	(3.6)	(3.2)	(0.2)	0.5	1.1
Gross Profit	15.5	13.7	16.8	22.5	26.6	Minorities	-	-	-	-	-	-	NPAT (reported)	(5.4)	(4.3)	4.8	(2.0)	(0.5)	1.1
EBITDA underlying	(1.3)	1.6	3.1	4.4	8.6	EPS (normalised)	(2.78)	(3.10)	(1.18)	(0.02)	0.05	0.10	EPS (reported)	(4.57)	(3.63)	1.80	(0.19)	(0.05)	0.10
Depn	(0.1)	(1.0)	(0.8)	(0.2)	(0.1)	Dividend (cps)	-	-	-	-	-	-	Imputation	30.0	30.0	30.0	30.0	30.0	30.0
Amort	(3.3)	(3.3)	(3.0)	(2.8)	(2.3)	Operating cash flow	(0.8)	2.3	0.3	2.1	1.9	1.4	Free Cash flow	0.4	3.4	1.2	3.2	3.0	2.5
EBIT underlying	(4.8)	(2.7)	(0.6)	1.4	6.2	Divisions	H120A	H220A	H121A	H221A	H122A	H222F	Data & Insights	9.8	8.6	11.7	12.2	15.4	15.7
Interest	(2.4)	(4.1)	(2.7)	(0.5)	(0.4)	Media	3.1	2.2	2.4	2.7	3.4	3.6	Platform	0.2	0.3	0.4	0.7	2.0	2.5
Tax	(0.4)	(0.0)	(0.0)	(0.4)	(1.6)	Sales revenue	13.2	11.1	14.4	15.6	20.8	21.8	COGS	(5.7)	(4.8)	(6.7)	(6.5)	(10.0)	(10.1)
Minorities	0.0	0.0	0.0	0.0	0.0	Employment	(4.9)	(4.1)	(4.8)	(5.5)	(6.2)	(6.3)	Technology, licence fees	(1.2)	(1.2)	(1.1)	(1.2)	(1.5)	(1.5)
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Other costs	(1.0)	(0.6)	(0.7)	(1.1)	(0.9)	(1.0)	EBITDA	0.7	0.9	1.3	1.8	2.2	3.0
NPAT pre significant items	(7.9)	(6.9)	(3.4)	0.5	4.2	Margins, Leverage, Returns	FY19A	FY20A	FY21A	FY22F	FY23F	EBITDA	(4.9%)	6.7%	10.4%	10.4%	17.7%		
Significant items	(6.5)	(2.9)	6.2	0.0	0.0	EBIT	(17.8%)	(11.2%)	(2.0%)	3.3%	12.8%	EBIT	(17.8%)	(11.2%)	(2.0%)	3.3%	12.8%		
NPAT (reported)	(14.5)	(9.8)	2.8	0.5	4.2	NPAT pre significant items	(29.7%)	(28.5%)	(11.2%)	1.2%	8.6%	Net Debt (Cash)	(15.9)	(24.6)	0.6	2.0	6.1		
Cash flow (A\$m)						Net debt/EBITDA (x)	(x)	n/a	(15.2)	0.2	0.4	0.7	ND/ND+Equity (%)	(%)	225.6%	417.1%	(19.9%)	(50.3%)	(154.7%)
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	EBIT interest cover (x)	(x)	n/a	n/a	n/a	0.3	0.1	ROA	(19.2%)	(15.1%)	(3.4%)	7.1%	27.7%	
EBITDA	(1.3)	1.6	3.1	4.4	8.6	ROE	968.1%	71.2%	(37.4%)	11.0%	52.8%	ROIC	(53.8%)	(27.4%)	(4.0%)	45.4%	345.0%		
Interest	(2.2)	(0.3)	(0.2)	(0.4)	(0.4)	NTA (per share)	n/a	n/a	n/a	0.00	0.00	Working capital	(2.9)	(2.2)	(1.5)	0.2	0.5		
Tax	(0.2)	(0.1)	(0.0)	(0.4)	(1.6)	WC/Sales (%)	(10.7%)	(9.2%)	(4.9%)	0.5%	1.0%	Revenue growth	5.4%	(9.3%)	23.8%	42.1%	14.4%		
Working capital changes	3.3	0.1	(0.6)	(0.3)	(0.3)	EBIT growth pa	n/a	n/a	n/a	-333%	342%	Pricing	FY19A	FY20A	FY21A	FY22F	FY23F		
Operating cash flow	(0.4)	1.4	2.4	3.3	6.3	No of shares (y/e)	(m)	119	118	1,100	1,100	1,100	No of shares (y/e)	(m)	119	118	1,058	1,100	1,100
Mtce capex	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)	Weighted Av Dil Shares	(m)	119	118	1,058	1,100	1,100	EPS Reported	cps	(12.2)	(8.2)	0.4	0.0	0.4
Free cash flow	(0.4)	1.4	2.3	3.2	6.3	EPS Normalised/Diluted	cps	(5.1)	(0.2)	(0.3)	0.1	0.4	EPS growth (norm/dil)	n/a	n/a	n/a	-147%	165%	
Growth capex	(2.7)	(2.4)	(2.0)	(2.1)	(2.1)	DPS	cps	-	-	-	-	-	DPS	cps	-	-	-	-	-
Acquisitions/Disposals	0.7	0.0	0.0	0.0	0.0	DPS Growth	na	na	na	na	na	na	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	
Other	0.0	0.0	0.0	0.0	0.0	Dividend imputation	30	30	30	30	30	30	PE (x)	-	-	12.6	114.4	13.9	
Cash flow pre financing	(2.5)	(1.0)	0.3	1.1	4.2	PE market	18.0	18.0	18.0	18.0	18.0	18.0	PE market	18.0	18.0	18.0	18.0	18.0	
Equity	0.0	0.0	13.4	0.5	0.0	Premium/(discount)	(100.0%)	(100.0%)	(29.9%)	535.5%	(23.0%)	-	EV/EBITDA	-	15.4	17.7	18.4	12.8	-
Debt	0.5	3.5	(10.8)	0.0	0.0	EV/EBITDA	-	15.4	17.7	18.4	12.8	-	FCF/Share	cps	-0.3	1.2	0.2	0.3	0.6
Dividends paid	0.0	0.0	0.0	0.0	0.0	Price/FCF share	-	20	4.3	24.3	17.5	9.1	Free Cash flow Yield	(5.0%)	23.3%	4.1%	5.7%	11.0%	
Net cash flow for year	(2.0)	2.5	2.9	1.6	4.2	Free Cash flow Yield	(5.0%)	23.3%	4.1%	5.7%	11.0%	-	-	-	-	-	-	-	
Balance sheet (A\$m)						-	-	-	-	-	-	-	-	-	-	-	-	-	-
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash	0.5	1.8	3.6	5.0	9.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	6.4	3.7	5.7	5.7	6.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	1.1	1.2	1.7	1.8	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	8.0	6.7	11.1	12.5	17.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PPE	0.2	0.2	0.1	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangibles and Goodwill	11.1	7.4	6.2	5.8	5.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non current assets	0.0	2.4	1.9	1.8	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non current assets	11.3	10.0	8.3	7.7	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	19.4	16.7	19.4	20.2	24.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	9.3	6.0	7.2	5.5	6.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term debt	16.5	24.4	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax payable	0.1	0.0	0.1	0.1	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	2.3	2.9	3.5	3.7	3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current liabilities	28.2	33.3	10.8	9.3	9.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term debt	0.0	2.0	3.0	3.0	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non current liabs	0.1	0.1	1.9	2.0	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total long term liabilities	0.1	2.1	4.9	5.0	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	28.3	35.4	15.7	14.3	14.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets	(8.9)	(18.7)	3.7	5.9	10.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share capital	41.5	41.5	59.9	60.4	60.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated profits/losses	(50.6)	(60.4)	(57.6)	(57.1)	(52.9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	0.3	0.2	1.5	2.5	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Minorities	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Shareholder funds	(8.9)	(18.7)	3.7	5.9	10.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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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- how we are paid, and
- complaint processes

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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 authorized representatives.

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