

Pureprofile Ltd

Q4 FY22 Results Analysis

Delivering record revenue and EBITDA for FY22

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 39% increase in FY22 revenues to \$41.7m and a 28% increase in EBITDA to \$4.0m. EBITDA was at the low end of the company's guidance range of \$4.0m to \$4.4m but included the absorption of additional costs associated with investment in five new commercial heads and associated support which the company expects to see translate into revenues from FY23. Q4 revenues were \$10.9m, up 29% on the previous corresponding period (pcp) and Q4 EBITDA was \$1.0m, flat on pcp but up 50% on Q3. The company ended the quarter with \$5.3m in gross cash, suggesting a net cash position of \$2.3m. We have aligned our FY22 forecasts with the unaudited results but our FY23 forecasts are under review pending the release of the FY22 audited results in late August. Our DCF-derived valuation has now included a higher risk-free-rate (3.5% versus 2.0%) and sits at \$0.10/share, fully diluted for in-the-money options and performance shares. On the current share count, our base-case valuation is \$0.12/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 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.

Strong finish to FY22, investment ready for FY23

PPL reported Q4 revenues of \$10.9m, up 29% on the pcp, and EBITDA of \$1.0m, flat on the same period in FY21 but up 50% on Q3 FY22. FY22 revenues lifted 39% to \$41.7m and EBITDA 28% to \$4.0m. Pleasingly, Pureprofile delivered EBITDA within its guidance range of \$4.0m to \$4.4m while still investing in talent to drive future revenue and earnings growth. Revenues from Data & Insights outstripped our forecasts, particularly from outside Australia, while Pure.amplify revenues were largely in line with our expectations. The SaaS platform increased revenues 57% in Q4, which was a slower rate of growth than delivered for the full year. We have aligned our FY22 forecasts to reflect the full year revenue and EBITDA reported. Our FY23 forecasts are under review pending the FY22 audited results which will be released in late August.

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, based on a WACC of 13.6% (previously 12.3%) and a higher risk-free-rate to reflect the rise in the 10-year Treasury bond rate. On the current share count of 1,107.0m, our base-case valuation is \$0.12/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	Revenues	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	17.3	n.a
06/21a	30.0	16.8	3.1	(3.4)	(0.3)	1.7	16.3	n.a
06/22f	41.7	21.7	4.0	(0.6)	0.1	1.2	12.7	n.a

Source: RaaS estimates for FY22f and FY23f; Company data for historical earnings; *Adjusted for one-time and non-cash items

Media & Advertising

22nd July 2022

Share Details

ASX code	PPL
Share price (21-July)	\$0.047
Market capitalisation	\$52.0M
Shares on issue	1,107.0M
Net cash 30-Jun-2022 (est.)	\$2.3M
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
- ~90% of revenues 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
- Evidence of EBITDA margin expansion

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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Q4FY22 Result Discussion

Pureprofile had Q4 revenues of \$10.9m, up 29% on the pcp, with growth across every division. EBITDA for the quarter was \$1.0m, flat on the pcp but up 50% on Q3 FY22. The EBITDA margin for the quarter was 9.2%, up from 5.0% in Q3 FY22, and 7.0% in Q3 FY21, putting the company back on track to pursue its goal of margin expansion to 30% over the long term. The company ended Q4 FY22 with \$5.3m cash in hand, or an estimated \$2.3m net cash, up \$1.9m on Q3 and \$0.2m from H1 FY22. Particularly pleasing was the growth in revenues reported by the Data & Insights business both within and outside Australia which continued to set new revenue records in the quarter. Data & Insights delivered across-the-board sales growth from both the Asia Pacific (+14% to \$5.7m) and UK/EU/US (+48% to \$3.3m). Pure.amplify also reported strong quarter-on-quarter growth of 53% to \$1.2m The SaaS platform also continued its growth trajectory, reporting an increase of 57% in revenue although the growth rate has tempered somewhat from previous quarters.

Exhibit 1: Q4 FY22 versus Q4 FY21 and RaaS' forecast (in A\$m unless otherwise stated)

	Q4 FY21	Q4 FY22	% change	RaaS fct
Data & Insights APAC	5.0	5.7	14.0	5.7
Data & Insights UK/EU/US	2.2	3.3	48.0	2.4
SaaS platform	0.4	0.7	57.0	1.6
Pure.amplify Media	0.8	1.2	53.0	1.5
Total revenues	8.4	10.9	29.0	11.3
EBITDA	1.0	1.0	0.0	1.4

Source: Company data and RaaS forecasts

On a full year basis, Pureprofile delivered record revenues and EBITDA. Data & Insights APAC lifted revenues 22.0% to \$20.8m, its best-ever result and largely in line with our expectations. Its offshore operations surpassed our forecasts and delivered a 50% increase in revenues year on year. This result reflects the investment the company made in human capital in late FY21 and into FY22. Further investment in new commercial heads and associated support in Q4 FY22 is expected to drive revenue growth in FY23. The company noted that its repeat client revenues in the past 12 months was at \$37.5m.

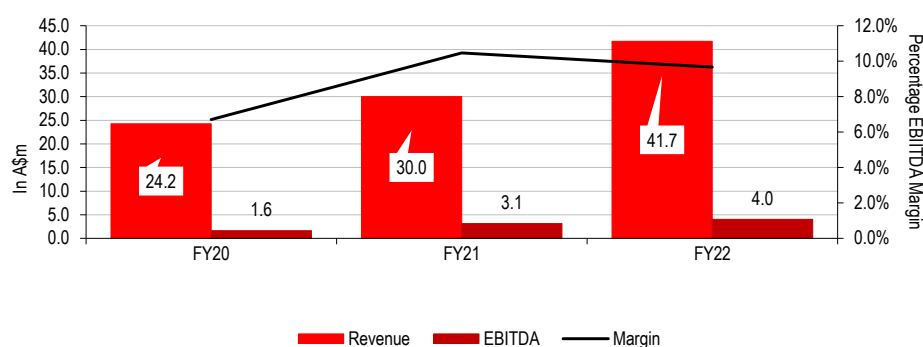
Exhibit 2: Sales revenues by division and EBITDA for FY22 vs FY21 and RaaS forecast (in A\$m unless otherwise stated)

	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

Pureprofile has a stated ambition to improve its EBITDA margin to 30%. In FY22, the EBITDA margin was 9.6%, down slightly on FY21's 10.4%, although impacted by the non-cash forex loss reported in Q3 FY22.

Exhibit 3: Pureprofile's revenue, EBITDA and EBITDA margin FY20-FY22



Source: Company data, RaaS analysis

Base-Case DCF Valuation Is \$0.10/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% (risk free rate 3.5%, equity risk premium 6.5%, beta 1.6, terminal growth rate of 2.2%). This derives a base-case valuation of \$0.10/share fully diluted for in-the-money options and performance rights. On the current share count of 1,107.0m, the valuation is \$0.12/share.

Exhibit 4: Base-case DCF valuation	
	Parameters
Discount rate (WACC)	13.6%
Present value of free cashflows (\$m)	52.8
Terminal value (\$m)	73.8
Plus net cash at 30-Jun-2022	(2.3)
Equity value (\$m)	128.9
Shares on issue (m) including in-the-money options and performance shares	1,265
Equity value per share fully diluted	\$0.10
Equity value per share on current share count (1,107.0m)	\$0.12
Source: RaaS estimates	

FINANCIAL SERVICES GUIDE

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of

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

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