

Pureprofile Ltd

Q3 FY22 Results Analysis

EBITDA guidance set at mid-point of \$4.0m to \$4.4m 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 40% increase in Q3 FY22 revenues to \$10m and a 6% increase in Q3 EBITDA to \$0.5m, which includes a negative, mark-to-market, non-cash foreign exchange loss of \$0.137m in the quarter. This brings year-to-date revenues to \$30.8m, which is ahead of the revenues reported for the whole of FY21, and YTD EBITDA to \$3.0m, largely in-line with that reported for the whole of FY21. Pureprofile has reset its FY22 guidance at the mid-point of its EBITDA range of \$4.0m to \$4.4m due to the forex loss. Previously, the company had expected to deliver at the top end of the range (24 February H2 FY22 presentation). We have trimmed our FY22 forecasts to bring EBITDA back in-line with the new guidance but have left our FY23 forecasts unchanged. Pureprofile has an ambition to expand its EBITDA margins to 30% by the end of FY24, and our current forecasts anticipate this occurring in FY26. We feel there is upside to our forecasts from FY23 onwards should the company be successful in its strategy. Our DCF-derived valuation is maintained at \$0.113/share, fully diluted for in-the-money options and performance shares. On the current share count, our base-case valuation is \$0.129/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.

Continued strong performance into Q3

PPL reported Q3 revenues of \$10.0m and EBITDA of \$0.5m, respectively up 41% and 6% on the same period in FY21. Revenues for the first nine months of FY22 are up 43% to \$30.9m on the same period in FY21 and 63% on the same period in FY20. Year-to-date EBITDA is up 43% on FY21 to \$3.0m and two-and-a-half times that reported in FY20. Q3 is seasonally Pureprofile's weakest quarter but the group continued to demonstrate strong growth over the same quarter in FY21 with all revenue divisions reporting an uplift. The company's SaaS platform in particular delivered a strong result with revenues increasing 323% to \$0.8m for the quarter. We have taken into account the company's revised guidance as a result of the forex loss in Q3 and have adjusted our FY22 revenues forecast down by 1.1% to \$42.1m and EBITDA down by 5.6% to \$4.2m. We have maintained our forecasts for FY23.

Base-case DCF valuation of \$0.113/share fully diluted

We use the discounted cashflow methodology to value PPL and arrive at a fully diluted DCF of \$0.113/share, based on a WACC of 12.3% (beta 1.6, terminal growth rate 2.2%). Our terminal value is \$0.069/share within our \$0.113/share valuation. On the current share count of 1,107.0m, our base-case valuation is \$0.129/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)
6/20a	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	42.1	22.3	4.2	0.4	0.1	1.4	13.7	41.5
06/23e	48.7	26.7	8.7	4.3	0.4	1.1	6.0	13.8

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

Media & Advertising

4th May 2022

Share Details

ASX code	PPL
Share price (3-May)	\$0.053
Market capitalisation	\$58.7M
Shares on issue	1,107.0M
Net cash 31-Mar-2022	\$1.9M
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
- Delivering EBITDA guidance for FY22

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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*The analyst owns shares

Q3 FY22 Result

Pureprofile had Q3 revenues of \$10.0m, up 40% on the pcp, with growth across every division. EBITDA for the quarter was \$0.5m, an increase of 6% on the pcp. Adjusted for the non-cash forex loss, EBITDA would have been \$0.64m, an increase of 32% on the pcp. The EBITDA margin for the quarter was 5%, down from 7% in Q3 FY21, but adjusting for the forex loss, the margin would have been flat quarter-on-quarter. The company ended Q3 FY22 with \$4.9m cash in hand, or \$1.9m net cash, up \$0.2m from H1 FY22.

Particularly pleasing was the growth in revenues reported by both the SaaS platform (up 323%) and the Data & Insights business outside Australia which continued to set new revenues records in the quarter. Data & Insights delivered across-the-board sales growth from both the Asia Pacific (+28% to \$4.9m) and UK/EU (+49% to \$2.8m).

Exhibit 1: Q3 FY22 versus Q3 FY21 (in A\$m unless otherwise stated)

	Q3 FY21	Q3 FY22	% change
Data & Insights APAC	3.8	4.9	28.0
Data & Insights UK/EU	1.9	2.8	49.0
SaaS platform	0.2	0.8	323.0
Pure.amplify Media	1.2	1.5	27.0
Total revenues	7.1	10.0	40.0
EBITDA	0.5	0.5	6.0

Source: Company data

Looking at the performance this year to date, revenues generated in Q3 were lower than the seasonally stronger first and second quarter, except from the Data & Insights business ex-APAC. The company noted that its repeat client revenues in the last 12 months now stood at \$35.2m, up from \$31.6m reported at the Q2 result and the \$29.4m in repeat client revenues reported at Q1 FY22.

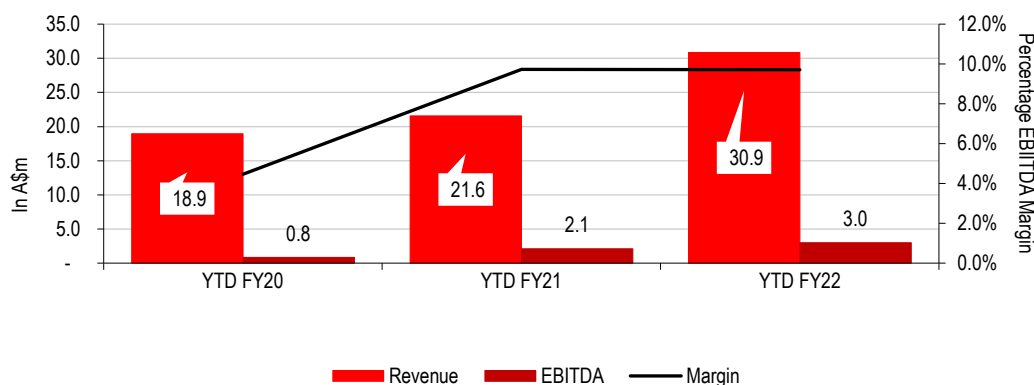
Exhibit 2: Sales revenues by division and EBITDA by quarter this year to date (in A\$m unless otherwise stated)

	Q1 FY22	Q2 FY22	Q3 FY22	YTD FY22
Data & Insights APAC	5.0	5.3	4.9	15.2
Data & Insights UK/EU	2.5	2.6	2.8	8.0
SaaS platform	0.9	1.0	0.8	2.7
Pure.amplify Media	1.8	1.7	1.5	5.0
Total revenues	10.2	10.6	10.0	30.9
EBITDA	1.1	1.4	0.5	3.0

Source: Company data

Pureprofile has a stated ambition to improve its EBITDA margin with a target of 30% by the end of FY24. Year-to-date, the EBITDA margin has been maintained at 9.7%, the same level as the first nine months of FY21, although adjusting for the non-cash forex loss, the underlying margin for FY22 YTD is 10.2%. 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, FY23 Unchanged

We have adjusted our full-year forecasts for FY22 to take into account the forex loss reported in Q3. This has resulted in a 1.1% reduction in our revenues forecast for the year and 5.6% adjustment on our EBITDA forecast bringing it back to the mid-point of the company's guidance.

Exhibit 4: Earnings adjustments FY22 (in A\$m unless otherwise stated)		
	FY22 old	FY22 new
Data & Insights	31.1	31.3
Pure.amplify Media	7.0	6.4
Self Service (SaaS) Platform	4.5	4.4
Total revenues	42.6	42.1
Gross profit	22.5	22.3
Gross profit margin %	52.9%	52.9%
EBITDA underlying	4.4	4.2
EBITDA margin %	10%	10%
NPAT underlying	0.53	0.35
EPS adjusted	0.14	0.13
Source: Company data		

Base-Case DCF Valuation Is \$0.113/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 \$0.113/share fully diluted for in-the-money options and performance rights. On the current share count of 1,100.5m, the valuation is \$0.129/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)	55.2
Terminal value (\$m)	85.6
Plus net cash at Mar-31-2022	(1.9)
Equity value (\$m)	142.8
Shares on issue (m) including in-the-money options and performance shares	1,269
Equity value per share fully diluted	\$0.113
Equity value per share on current share count (1,107.0m)	\$0.129
Source: RaaS estimates	

Exhibit 6: Financial Summary

Pureprofile						Share price (3 May 2022)						A\$ 0.053	
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	H120A	H220A	H121A	H221A	H122A	H222F		
Revenue						13.2	11.1	14.7	16.2	20.8	21.3		
EBITDA						0.7	0.9	1.3	1.8	2.2	2.7		
EBIT						(1.5)	(1.2)	(0.6)	(0.0)	0.8	1.4		
NPAT (normalised)						(3.3)	(3.6)	(3.2)	(0.2)	0.5	0.9		
Minorities						-	-	-	-	-	-		
NPAT (reported)						(5.4)	(4.3)	4.8	(2.0)	(0.5)	0.9		
EPS (normalised)						(2.78)	(3.10)	(1.18)	(0.02)	0.05	0.08		
EPS (reported)						(4.57)	(3.63)	1.80	(0.19)	(0.05)	0.08		
Dividend (cps)						-	-	-	-	-	-		
Imputation						30.0	30.0	30.0	30.0	30.0	30.0		
Operating cash flow						(0.8)	2.3	0.3	2.1	1.9	1.2		
Free Cash flow						0.4	3.4	1.2	3.2	3.0	2.3		
Divisions						H120A	H220A	H121A	H221A	H122A	H222F		
Data & Insights						9.8	8.6	11.7	12.2	15.4	15.9		
Media						3.1	2.2	2.4	2.7	3.4	3.0		
Platform						0.2	0.3	0.4	0.7	2.0	2.4		
Sales revenue						13.2	11.1	14.4	15.6	20.8	21.3		
COGS						(5.7)	(4.8)	(6.7)	(6.5)	(10.0)	(9.9)		
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)		
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	2.7		
Margins, Leverage, Returns						FY19A	FY20A	FY21A	FY22F	FY23F			
EBITDA						(4.9%)	6.7%	10.4%	9.9%	17.9%			
EBIT						(17.8%)	(11.2%)	(2.0%)	2.8%	13.0%			
NPAT pre significant items						(29.7%)	(28.5%)	(11.2%)	0.8%	8.8%			
Net Debt (Cash)						(15.9)	(24.6)	0.6	1.8	6.0			
Net debt/EBITDA (x)						(x)	n/a	(15.2)	0.2	0.4	0.7		
ND/ND+Equity (%)						(%)	225.6%	417.1%	(19.9%)	(45.7%)	(149.7%)		
EBIT interest cover (x)						(x)	n/a	n/a	n/a	0.4	0.1		
ROA						(19.2%)	(15.1%)	(3.4%)	5.9%	28.3%			
ROE						968.1%	71.2%	(37.4%)	7.5%	54.5%			
ROIC						(53.8%)	(27.4%)	(4.0%)	37.4%	346.3%			
NTA (per share)						n/a	n/a	n/a	n/a	0.00			
Working capital						(2.9)	(2.2)	(1.5)	0.2	0.5			
WC/Sales (%)						(10.7%)	(9.2%)	(4.9%)	0.5%	1.0%			
Revenue growth						5.4%	(9.3%)	23.8%	40.4%	15.6%			
EBIT growth pa						n/a	n/a	n/a	-292%	443%			
Pricing						FY19A	FY20A	FY21A	FY22F	FY23F			
No of shares (y/e)						(m)	119	118	1,100	1,107	1,107		
Weighted Av Dil Shares						(m)	119	118	1,058	1,107	1,107		
EPS Reported						cps	(12.2)	(8.2)	0.4	0.0	0.4		
EPS Normalised/Diluted						cps	(5.1)	(0.2)	(0.3)	0.1	0.4		
EPS growth (norm/dil)							n/a	n/a	n/a	-142%	202%		
DPS						cps	-	-	-	-	-		
DPS Growth							na	n/a	n/a	n/a	n/a		
Dividend yield							0.0%	0.0%	0.0%	0.0%	0.0%		
Dividend imputation							30	30	30	30	30		
PE (x)							-	-	12.6	179.4	13.8		
PE market							18.0	18.0	18.0	18.0	18.0		
Premium/(discount)							(100.0%)	(100.0%)	(29.9%)	896.6%	(23.5%)		
EV/EBITDA							-	15.4	17.7	18.4	13.7		
FCF/Share						cps	-0.3	1.2	0.2	0.3	0.6		
Price/FCF share							-	20	4.3	24.3	18.6		
Free Cash flow Yield							(5.0%)	23.3%	4.1%	5.4%	11.0%		
Cash						0.5	1.8	3.6	4.8	9.0			
Accounts receivable						6.4	3.7	5.7	5.7	6.5			
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	12.3	17.3			
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	19.9	24.8			
Accounts payable						9.3	6.0	7.2	5.5	6.0			
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	9.8			
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	14.2	14.8			
Net Assets						(8.9)	(18.7)	3.7	5.7	10.0			
Share capital						41.5	41.5	59.9	60.4	60.4			
Accumulated profits/losses						(50.6)	(60.4)	(57.6)	(57.3)	(53.0)			
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	5.7	10.0			

Source: RaaS estimates; Company data for actuals

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

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AFSL 456663

Effective Date: 6th May 2021



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

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