

# Dropsuite Limited

## 1H24: the balancing act

DSE's 1H24 result was in-line with OMLe at revenue (\$18.9m vs \$19.2m) but slightly below at EBITDA (~flat vs \$1.1mE) on higher technology spend (\$1.5m vs \$0.8m) and some other minor items. FCF was in-line at \$0.8m. Ultimately, we continue to believe DSE is striking the correct balance of growth (1H24 rev +34% YoY) and profit (1H positive at both NPAT / FCF lines) and expect this dynamic to persist given a large, underserved addressable market and structural industry tailwinds in place. Following the release, we maintain a BUY recommendation, PT falls -\$0.06 to \$3.78/sh.

### Minimal surprises, reinvesting for the future

- 1H24 highlights.** Few surprises and mostly in-line with OMLe, (1) revenue of \$18.9m (OMLe \$19.2m) remained robust at +34% YoY, (2) cash opex of \$12.3m was modestly ahead of our estimate for \$11.2m (higher IT spend the key driver), (3) adj. EBITDA of \$0.8m was therefore below us at \$2.1m, although FCF of \$0.8m was in-line. Other KPIs (ARR / ARPU / GP% were as reported at Q2 in Jan).
- DSE in the period increased headcount from 98 to 134 as they continue invest for future growth. In our view, DSE is striking the correct balance of growth and profitability, given the enormous opportunity for cloud backup and archiving that persists.

### Impact: Expectations unlikely to shift

- DSE's 1H24 result was broadly in-line with OMLe (and consensus) up and down the P&L, while KPIs were pre-reported at Q2. Accordingly, we expect market expectations to remain broadly unchanged following the result.

### Maintain BUY recommendation, PT changes -\$0.06 to \$3.78/sh

- We carry forward a higher IT spend into future periods; which modestly impacts our estimates. Our PT falls -\$0.06/sh to \$3.78/sh. We maintain a BUY recommendation.
- Our positive thesis is supported by (1) multiple structural tailwinds, (2) a best-in-class product and go-to-market strategy, (3) DSE's demonstrable history of prudent and profitable growth, and (4) M&A optionality – with ~\$25m in funding available.

### Key Financials

Year-end December (\$)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (\$m)	20.7	30.6	41.4	55.1	67.9
EBITDA (\$m)	1.3	1.1	1.3	4.6	7.8
EBIT (\$m)	1.2	0.9	1.1	4.3	7.5
Reported NPAT (\$m)	1.5	1.5	2.1	5.2	7.6
Reported EPS (c)	2.1	2.2	2.6	7.2	10.5
Normalised NPAT (\$m)	1.5	1.6	1.9	5.2	7.6
Normalised EPS (c)	2.1	2.2	2.6	7.2	10.5
EPS Growth (%)	-	7.4	18.1	175.0	45.5
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
EV/EBITDA (X)	-	-	-	43.9	25.0
Normalised P/E (x)	-	-	-	46.0	31.6
Normalised ROE (%)	6.3	6.1	6.6	15.8	19.3

Source: OML, Iress, Dropsuite Limited

28 August 2024

Last Price

**A\$3.33**

Target Price

**A\$3.78 (Previously A\$3.84)**

Recommendation

**Buy**

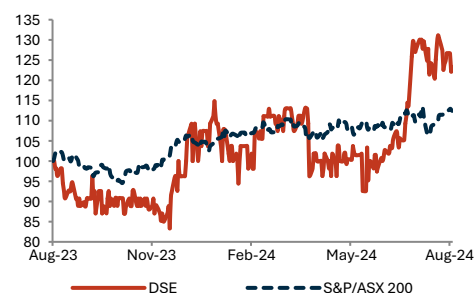
Risk

**Higher**

### IT Services

ASX Code	DSE
52 Week Range (\$)	2.25 - 3.54
Market Cap (\$m)	232.6
Shares Outstanding (m)	69.9
Av Daily Turnover (\$m)	0.0
3 Month Total Return (%)	22.9
12 Month Total Return (%)	23.3
Benchmark 12 Month Return (%)	12.4
NTA FY24E (¢ per share)	50.2
Net Cash FY24E (\$m)	26.1

### Price performance



Source: FactSet

### Consensus Earnings

	FY24E	FY25E
NPAT (C) (\$m)	2.7	4.1
NPAT (OM) (\$m)	1.9	5.2
EPS (C) (c)	3.0	4.5
EPS (OM) (c)	2.6	7.2

Source: OML, Iress, Dropsuite Limited

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Figure 1: Financial Summary

Code	DSE					
Analysts	Lindsay Bettiol	Milo Ferris				
Date	22/07/2024					
Share Price	\$3.34					
Market Capitalisation (A\$m)	\$232.8					
Enterprise Value (A\$m)	\$209.8					
<b>PROFIT &amp; LOSS (Dec Year End)</b>						
		FY22	FY23	FY24	FY25	FY26
Revenue	A\$m	20.7	30.6	41.4	55.1	67.9
COGS	A\$m	-7.1	-9.7	-12.8	-16.7	-19.9
<b>Gross Profit</b>	A\$m	13.6	20.9	28.6	38.4	48.1
Other Income	A\$m	0.0	0.0	0.0	0.0	0.0
Expenses	A\$m	-12.4	-19.8	-27.2	-33.8	-40.2
<b>EBITDA</b>	A\$m	1.3	1.1	1.3	4.6	7.8
Depreciation & Amortisation	A\$m	-0.1	-0.2	-0.3	-0.3	-0.3
<b>EBIT</b>	A\$m	1.2	0.9	1.1	4.3	7.5
Net Interest Expense	A\$m	0.3	0.7	0.8	0.9	1.1
Minorities	A\$m	0.0	0.0	0.0	0.0	0.0
Reported PBT	A\$m	1.5	1.6	1.9	5.2	8.5
Tax Expense / (Credit)	A\$m	0.0	0.0	0.0	0.0	-1.0
<b>Reported NPAT</b>	A\$m	1.5	1.5	2.1	5.2	7.6
Significant Items & FX	A\$m	0.0	0.0	0.2	0.0	0.0
<b>Underlying NPAT</b>	A\$m	1.5	1.6	1.9	5.2	7.6
<b>BALANCE SHEET</b>						
		FY22	FY23	FY24	FY25	FY26
<b>Assets</b>						
Cash	A\$m	22.3	24.3	26.1	30.0	36.2
Receivables	A\$m	4.1	5.9	7.9	10.2	12.5
Prepayment & Other Receivables	A\$m	0.4	0.7	0.8	0.8	0.8
PPE	A\$m	0.1	0.1	0.1	0.0	0.1
Goodwill & Intangibles	A\$m	0.0	0.0	0.0	0.0	0.0
Other Assets	A\$m	0.1	0.2	0.2	0.2	0.2
<b>Total Assets</b>	A\$m	26.9	31.2	35.1	41.4	49.9
<b>Liabilities</b>						
Payables	A\$m	2.5	3.2	4.2	5.2	6.2
Accrued Liabilities	A\$m	0.0	0.0	0.0	0.0	0.0
Borrowings	A\$m	0.0	0.0	0.0	0.0	0.0
Provisions	A\$m	0.0	0.0	0.0	0.0	0.0
Deferred Liability	A\$m	0.1	0.2	0.2	0.2	0.2
Other Liabilities	A\$m	0.0	0.4	0.5	0.5	0.5
<b>Total Liabilities</b>	A\$m	2.7	3.8	4.9	5.9	6.8
<b>Equity</b>						
Share Capital	A\$m	43.4	43.4	43.9	43.9	43.9
Other Equity	A\$m	1.0	2.6	3.1	3.1	3.1
Retained Earnings	A\$m	-20.2	-18.6	-16.7	-11.5	-3.9
<b>Total Shareholders Equity</b>	A\$m	24.2	27.4	30.3	35.5	43.1
BV per share	Acps	3.5	3.9	4.3	5.0	6.1
NTA per share	Acps	3.8	4.4	4.9	5.8	7.0
<b>CASH FLOW</b>						
		FY22	FY23	FY24	FY25	FY26
Cash at Start	A\$m	21.6	22.3	24.3	26.1	30.0
Cash Flow from Operations	A\$m	0.9	2.3	2.0	4.3	6.5
Capex	A\$m	-0.1	-0.1	-0.2	-0.3	-0.4
Free Cash Flow	A\$m	0.9	2.1	1.8	4.0	6.2
Cash Flow from Investing	A\$m	-0.1	-0.1	-0.2	-0.3	-0.4
Cash Flow from Financing	A\$m	0.0	0.0	0.0	0.0	0.0
Cash at End	A\$m	22.3	24.3	26.1	30.0	36.2
FCF per share (cps)	Acps	1.2	3.0	2.5	5.5	8.6
FCF / Underlying NPAT	%	58%	139%	83%	76%	82%
FCF Yield	%	0.4%	0.9%	0.7%	1.6%	2.6%
<b>Rating: Buy</b>						
Price Target	\$3.78					
Upside/downside:	13%					
Valuation:	\$3.78					
Valuation method:	DCF					
Risk:	Higher					
<b>EARNINGS</b>						
		FY22	FY23	FY24	FY25	FY26
EPS - Underlying	Acps	2.1	2.2	2.6	7.2	10.5
EPS Growth - Underlying	%	-4276%	7%	18%	175%	46%
EPS - Reported	Acps	2.1	2.2	2.6	7.2	10.5
Diluted shares	m	699.5	711.2	711.2	711.2	711.2
DPS	Acps	0.0	0.0	0.0	0.0	0.0
Dividend Yield	%	0%	0%	0%	0%	0%
Payout Ratio	%	0%	0%	0%	0%	0%
<b>VALUATION</b>						
		FY22	FY23	FY24	FY25	FY26
EV/Revenue	x	10.2	6.8	5.0	3.7	2.9
EV/EBITDA	x	n.m.	188.7	154.6	44.1	25.1
EV/EBIT	x	n.m.	237.2	196.8	47.2	26.3
P/E - Underlying	x	n.m.	150.0	127.0	46.2	31.7
Price/Book	x	96.4	86.7	78.4	66.9	55.2
Price/NTA	x	86.8	76.2	67.6	57.4	47.6
Price/FCF	x	274.5	111.3	134.9	60.6	38.8
<b>GROWTH</b>						
		FY22	FY23	FY24	FY25	FY26
Revenue	%	77%	48%	35%	33%	23%
Total Expenses	%	66%	52%	36%	26%	19%
EBITDA	%	n.m.	-12%	21%	244%	70%
Adjusted EBITDA	%	n.m.	29%	7%	123%	55%
PBT	%	n.m.	9%	19%	175%	64%
Reported NPAT	%	n.m.	5%	39%	143%	46%
Underlying NPAT	%	-4743%	9%	19%	175%	46%
<b>MARGINS &amp; RETURNS</b>						
		FY22	FY23	FY24	FY25	FY26
Gross Margin	%	65.8%	68.3%	69.0%	69.8%	70.8%
EBITDA Margin	%	6.0%	3.6%	3.2%	8.3%	11.5%
Adj. EBITDA Margin	%	10.2%	8.9%	7.0%	11.8%	14.8%
EBIT Margin	%	5.8%	2.9%	2.5%	7.8%	11.0%
Underlying NPAT Margin	%	7.0%	5.2%	4.6%	9.4%	11.1%
ROE	%	6.4%	6.0%	7.4%	15.8%	19.3%
ROA	%	5.4%	5.1%	5.4%	12.6%	15.2%
Effective Tax Rate	%	0.0%	0.0%	0.0%	0.0%	11.3%
<b>GEARING</b>						
		FY22	FY23	FY24	FY25	FY26
Net Debt / (Cash)	A\$m	-22.3	-24.3	-26.1	-30.0	-36.2
Enterprise Value	A\$m	210.4	208.5	206.7	202.7	196.5
Net Debt/EV	%	-10.6%	-11.7%	-12.6%	-14.8%	-18.4%
Net Debt/Equity	%	-92.2%	-88.7%	-86.1%	-84.6%	-84.1%
Net Debt/EBITDA	x	-17.9	-22.0	-19.5	-6.5	-4.6
EBITDA/Net Interest	x	4.8	1.6	1.6	5.1	7.4
<b>SEGMENTS</b>						
		FY22	FY23	FY24	FY25	FY26
Revenue	A\$m	20.7	30.6	41.4	55.1	67.9
ARR (AUD)	\$m	25.4	34.3	47.4	58.7	71.9
ARR (USD)	\$m	17.2	23.0	30.8	38.1	46.7
ARPU (Monthly, AUD)	\$	2.3	2.5	2.6	2.7	2.7
ARPU (Monthly, USD)	\$	1.5	1.7	1.7	1.7	1.8
CAC Payback		5.4	9.3	8.2	11.7	11.7

Source: Ord Minnett Research

# 1H24 Result Summary

## Summary

- **Revenue** of \$18.9m (+34% YoY) was modestly below our estimate for \$19.2m. Growth was once again underpinned by ongoing strength in both paid users (+1.35m, +25%) and ARPUs (US ARPU \$1.64, +4%). We expect this momentum will continue in 2H24.
- **Adj. EBITDA** of \$0.8m was below OMLe at \$2.1m, driven by higher IT spend in the period and some other minor items. However, DSE has been vocal about its intention to continue investing for growth (headcount/R&D/product), so modest profitability is in-keeping with its strategy.
- **Cash flows.** DSE continues to deliver positive OCF & FCF (FCF = \$0.8m vs OMLe \$0.8m), a 54% improvement vs the pcp. OCF was also in-line at \$0.9m.
- **Balance sheet.** DSE remains well-funded with \$25.1m in cash at June 30. We continue to expect a portion of these funds will be allocated to value-accretive M&A over time.
- **Other KPIs.** DSE is a quarterly reporter, with most key metrics previously disclosed alongside Q2 results, i.e. US ARR \$26.5m (+30% YoY), paid users 1.35m (+25%), US ARPU \$1.64 (+4%) and GP margins 69%.

Figure 2: 1H24 Result & KPI summary

Annual Summary	Units	Actual					OMLe		
		1H22	2H22	1H23	2H23	1H24	1H24	YoY %	Diff.
Paid users	000s	808	935	1,078	1,166	1,350	1,350	25%	0%
Gross new*	000s	83	63	76	93	207	207	172%	0%
Net new	000s	78	52	63	55	184	184	192%	0%
ARPU	US\$/m	1.45	1.53	1.58	1.65	1.64	1.64	4%	0%
<b>ARR</b>	<b>US\$m</b>	<b>14.1</b>	<b>17.2</b>	<b>20.5</b>	<b>23.0</b>	<b>26.5</b>	<b>26.5</b>	<b>30%</b>	<b>0%</b>
ARR	A\$m	20.1	25.4	30.4	34.3	39.9	39.9	31%	0%
Revenue	A\$m	8.9	11.8	14.1	16.6	18.9	19.2	34%	-2%
<b>Adj. EBITDA</b>	<b>A\$m</b>	<b>0.4</b>	<b>0.8</b>	<b>0.6</b>	<b>0.5</b>	<b>0.8</b>	<b>2.1</b>	<b>34%</b>	<b>-63%</b>
Partners	#	453	491	559	620	713	713	28%	0%
New	#	44	38	68	61	93	93	37%	0%
ARR / partner	US\$000s	31.2	34.9	36.6	37.1	37.2	37.2	2%	0%
<b>OCF</b>	<b>A\$m</b>	<b>-0.1</b>	<b>1.0</b>	<b>0.6</b>	<b>1.7</b>	<b>0.9</b>	<b>1.0</b>	<b>51%</b>	<b>-2%</b>
Cash at hand	A\$m	21.6	22.3	23.0	24.3	25.1	25.1	9%	0%
<b>KPIs</b>									
ARR	US\$, YoY	122%	104%	88%	63%	55%	30%	-38%	85%
ARR, US\$	\$, QoQ	3.3	3.0	3.3	2.6	3.5	3.5	7%	1%
Paid users	YoY	87%	81%	66%	44%	44%	25%	-33%	76%
ARPU	US\$, YoY	18%	13%	13%	14%	7%	4%	-44%	89%
ARR / partner	YoY	56%	47%	38%	19%	6%	2%	-83%	307%
<b>GP margins</b>		<b>62%</b>	<b>68%</b>	<b>69%</b>	<b>68%</b>	<b>69%</b>	<b>69%</b>	<b>0%</b>	<b>0%</b>

Source: Company Reports, Ord Minnett Limited estimates

## Estimate & Price Target Changes

### Estimates

DSE's 1H24 result was broadly in line with our estimates across most key metrics, with a higher reinvestment figure driving slightly higher cash opex. We have carried forward this higher IT spend into all future periods, which has a minor (<\$1m) impact to EBITDA in all future years.

- **Revenues** are left broadly unchanged with no changes to our key drivers (paid users/average revenue per user). FY24 sees a ~1% reduction, factoring in a marginally lower than forecast revenue figure today.
- **GP down/GP% margin flat.** Gross profits fall in step with revenues with no change to our GP% margin.
- **EBITDA** our EBITDA falls \$0.5m to \$1.3m over the forecast period as we factor in a higher cash opex figure, with DSE reinvesting into headcount and R&D. Offsetting is a lower SBP as % of employee expense than we had initially forecast.
- **Price Target remains falls 2% to \$3.78/sh.** Following changes to our opex assumptions, the roll forward of our model and marginally lower capex, our PT falls 2% to \$3.78/sh.

Figure 3 provides an overview of these changes.

**Figure 3: Estimate changes summary**

Estimate Changes	Units	FY24			FY25			FY26		
		Old	New	% chg	Old	New	% chg	Old	New	% chg
Paid users	000s	1,529	1,529	0%	1,836	1,837	0%	2,098	2,099	0%
ARPU	A\$/m	2.58	2.58	0%	2.66	2.66	0%	2.70	2.70	0%
ARR	A\$m	47.4	47.4	0%	58.6	58.7	0%	68.1	68.1	0%
<b>Revenue</b>	<b>A\$m</b>	<b>41.7</b>	<b>41.4</b>	<b>-0.76%</b>	<b>55.1</b>	<b>55.1</b>	<b>0%</b>	<b>67.9</b>	<b>67.9</b>	<b>0%</b>
Gross Profit	A\$m	28.8	28.6	-1%	38.4	38.4	0%	48.0	48.1	0%
Margin	%	69.0%	69.0%	0%	69.8%	69.8%	0%	70.8%	70.8%	0%
Opex	A\$m	-26.2	-27.2	-4%	-33.3	-33.8	-1%	-39.6	-40.2	-2%
EBITDA	A\$m	2.6	1.3	-49%	5.1	4.6	-9%	8.5	7.8	-7%
OCF	A\$m	2.3	2.0	-13%	4.7	4.3	-10%	7.1	6.5	-8%
FCF	A\$m	2.1	1.8	-15%	4.4	4.0	-11%	6.7	6.2	-8%
<b>Price Target</b>	<b>A\$/Sh</b>	<b>3.84</b>	<b>3.78</b>	<b>-2%</b>						

Source: Ord Minnett Limited estimates

## Investment Thesis, Valuation, and Risks

### Dropsuite Limited (Buy; Price Target: \$3.78)

#### Company Overview

Founded in Singapore in 2011, Dropsuite is a cloud-based software platform offering backup, archiving, and recovery solutions for businesses. The company specialises in protecting critical data from Microsoft 365, Google Workspace, QuickBooks, and others. Its products are distributed via a network of ~4k IT reseller partners globally.

DSE has delivered rapid top-line growth since its founding, with ARR rising at a 7-year CAGR of >70%. The company now serves >1.35m users and we expect it will generate >\$41m in revenue for FY24F.

#### A profitable grower at the intersection of three mega-trends

As a leading provider of cloud-based backup and archiving for businesses, DSE operates at the intersection of three mega-trends, being (1) the rise of cybercrime, (2) the migration of on-premise hosting to the cloud, and (3) MSP industry growth. These themes have long runways and will continue to act as positive tailwinds for growth.

DSE has delivered extraordinary growth over the past 7-years (a CAGR of >70%) and has managed to do so profitably – delivering positive FCF in each of the past nine quarters, while cumulative cash flows are now positive back to 2Q19. Additionally, management are prudent capital allocators, having built a ~\$240m business on just ~\$42m of outside capital (of which only ~\$18m has been spent). We expect this performance to continue.

#### Microsoft concerns appear overblown

At its Inspire Conference 2023, Microsoft provided a first look at its 365 Backup and Archive solution (B&A) – DSE's price fell 22% on the day. However, based on our work, and discussions with industry participants, we conclude that fears of existential risks to DSE's business are overblown. Accordingly, we believe the market's scepticism is providing an opportunity.

#### Valuation and Recommendation

We derive our 12-month forward A\$3.78/Share Price Target via a 10-year DCF, which implies a FTM EV/revenue multiple of 4.2x. We believe this is appropriate given the considerable revenue growth we expect DSE to deliver in the medium-term (3-year CAGR = 30%), its solid gross margin (~70%) and strong FCF profile (FY26F = \$6.2m).

Our Price Target implies a 13% TSR, which underpins our BUY recommendation.

#### Risks to Rating and Price Target

Key risks to our core thesis, include:

- Point solution: M365 backup presents a concentration risk. Additional product launches and/or growth in secondary products moderates this risk.
- Increased competition from others within the cloud backup industry.
- Technology risk: new technologies / competitors enter the market and usurp DSE's products.
- Key person risk: DSE is run by a long-time CEO, Charif Elansari. His departure is a risk.
- Security breaches: A malicious attack on DSE's systems could result in client data loss and reputational damage.

## Dropsuite Limited

PROFIT & LOSS (A\$m)	2022A	2023A	2024E	2025E	2026E
Revenue	20.7	30.6	41.4	55.1	67.9
Other income	0.0	0.0	0.0	-	-
Operating costs	(12.4)	(19.8)	(27.2)	(33.8)	(40.2)
<b>Operating EBITDA</b>	<b>1.3</b>	<b>1.1</b>	<b>1.3</b>	<b>4.6</b>	<b>7.8</b>
D&A	(0.1)	(0.2)	(0.3)	(0.3)	(0.4)
<b>EBIT</b>	<b>1.2</b>	<b>0.9</b>	<b>1.1</b>	<b>4.3</b>	<b>7.5</b>
Net interest	0.3	0.7	0.8	0.9	1.1
<b>Pre-tax profit</b>	<b>1.5</b>	<b>1.6</b>	<b>1.9</b>	<b>5.2</b>	<b>8.5</b>
Net tax (expense) / benefit	-	-	-	-	(1.0)
Significant items/Adj.	-	-	-	-	-
Associate NPAT	1.5	1.5	2.1	5.2	7.6
<b>Normalised NPAT</b>	<b>1.5</b>	<b>1.6</b>	<b>1.9</b>	<b>5.2</b>	<b>7.6</b>
<b>Reported NPAT</b>	<b>1.5</b>	<b>1.5</b>	<b>2.1</b>	<b>5.2</b>	<b>7.6</b>
Normalised dil. EPS (cps)	2.1	2.2	2.6	7.2	10.5
Reported EPS (cps)	2.1	2.2	2.6	7.2	10.5
Effective tax rate (%)	-	-	-	-	11.4
DPS (cps)	-	-	-	-	-
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Diluted # of shares (m)	70.0	71.1	71.9	71.9	71.9

CASH FLOW (A\$m)	2022A	2023A	2024E	2025E	2026E
Net Interest (paid)/received	0.2	0.7	0.8	0.9	1.1
Income tax paid	-	-	-	-	(1.0)
Other operating items	-	-	-	-	-
<b>Operating Cash Flow</b>	<b>0.9</b>	<b>2.3</b>	<b>2.0</b>	<b>4.3</b>	<b>6.5</b>
Capex	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)
Other investing items	-	-	-	-	-
<b>Investing Cash Flow</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.4)</b>
Inc/(Dec) in borrowings	-	-	-	-	-
<b>Financing Cash Flow</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
FX adjustment	(0.1)	(0.2)	0.0	-	-
Net Inc/(Dec) in Cash	0.9	2.1	1.8	4.0	6.2

BALANCE SHEET (A\$m)	2022A	2023A	2024E	2025E	2026E
Cash	22.3	24.3	26.1	30.0	36.2
Receivables	4.1	5.9	7.9	10.2	12.5
Inventory	-	-	-	-	-
Other current assets	0.4	0.7	0.8	0.8	0.8
PP & E	0.1	0.1	0.1	0.1	0.1
Investments	0.0	0.0	0.0	0.0	0.0
Intangibles	-	-	0.2	0.2	0.2
Other non-current assets	0.1	0.2	0.1	0.1	0.1
<b>Total Assets</b>	<b>26.9</b>	<b>31.2</b>	<b>35.1</b>	<b>41.4</b>	<b>49.9</b>
Short term debt	-	-	-	-	-
Payables	2.5	3.2	4.2	5.2	6.2
Other current liabilities	-	0.3	0.4	0.4	0.4
Other non-current liabilities	0.1	0.1	0.1	0.1	0.1
<b>Total Liabilities</b>	<b>2.7</b>	<b>3.8</b>	<b>4.9</b>	<b>5.9</b>	<b>6.8</b>
<b>Total Equity</b>	<b>24.2</b>	<b>27.4</b>	<b>30.3</b>	<b>35.5</b>	<b>43.1</b>
Net debt (cash)	(22.3)	(24.3)	(26.1)	(30.0)	(36.2)

## Buy

DIVISIONS	2022A	2023A	2024E	2025E	2026E
<b>KEY METRICS (%)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Revenue growth	77.0	48.1	35.1	33.2	23.3
EBITDA growth	49,740.6	(11.7)	21.0	243.8	70.1
EBIT growth	-	(26.2)	19.5	308.9	73.9
Normalised EPS growth	-	7.4	18.1	175.0	45.5
EBITDA margin	6.0	3.6	3.2	8.3	11.5
OCF / EBITDA	55.6	142.4	87.4	72.8	82.4
EBIT margin	5.8	2.9	2.5	7.8	11.0
Return on assets	4.7	3.0	3.2	11.2	14.5
Return on equity	6.3	6.1	6.6	15.8	19.3

VALUATION RATIOS (x)	2022A	2023A	2024E	2025E	2026E
Reported P/E	160.6	149.5	126.6	46.0	31.6
Normalised P/E	-	-	-	46.0	31.6
Price To Free Cash Flow	267.7	108.0	130.6	58.6	37.6
Price To NTA	8.5	7.4	6.6	5.6	4.7
EV / EBITDA	-	-	-	43.9	25.0
EV / EBIT	172.5	234.6	196.1	47.0	26.2

LEVERAGE	2022A	2023A	2024E	2025E	2026E
ND / (ND + Equity) (%)	(1,178.7)	(784.5)	(618.2)	(550.1)	(529.0)
Net Debt / EBITDA (%)	(1,785.5)	(2,198.1)	(1,949.6)	(653.2)	(462.9)
EBIT Interest Cover (x)	-	-	-	-	-
EBITDA Interest Cover (x)	-	-	-	-	-

SUBSTANTIAL HOLDERS	m	%
Topline Capital Management LLC	21.6	31.0%
John Fearon	3.5	5.0%
Charif El-Ansari	3.5	5.0%

VALUATION	
Cost of Equity (%)	10.5
Cost of debt (after tax) (%)	7.5
<b>WACC (%)</b>	<b>9.8</b>

Enterprise Value (\$m)	177.9
<b>Equity NPV Per Share (\$)</b>	<b>3.03</b>

Target Price Method	DCF
Target Price (\$)	3.78
Valuation disc. / (prem.) to share price (%)	13.4

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**Our recommendations are based on the total return of a stock – nominal dividend yield plus capital appreciation – and have a 12-month time horizon.**

SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historical volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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