

The benefits of diversification

PeopleIn delivered a strong FY22 result, with EBITDA +24% and NPATA +28%, both ahead of WILSe and consensus. The company's diversification across sectors shone through, with double-digit organic revenue and EBITDA growth and contribution from recent acquisitions, in particular in the ISS and PS Verticals, more than offsetting a 5% fall in billed hours in the H&C Vertical due to covid restrictions. Cost discipline was also impressive, with corporate costs well below our forecast. PPE is trading at 6.8x FY23E EBITDA, below its ave. 1-yr fwd EV/EBITDA multiple since IPO of 9.5x, while offering 34% FY23E EBITDA growth. Our TP lifts 3% to \$5.30. OverWeight.

Key Points

FY22 result. EBITDA of \$47.2m was ahead of the \$45-47m guidance range, +24% on pcp and +1.9% vs. WILSe. Organic growth was again strong, contributing 15.9% to revenue growth and 10.5% to EBITDA growth. By Vertical, ISS EBITDA (\$21.6m) was ahead of our forecasts, H&C EBITDA (\$12.0m) suffered from a 5% fall in billable hours (covid and elective surgery restrictions), and PS EBITDA (\$17.6m) was up strongly on pcp however below our estimates due to product mix. Corporate costs (\$11.0m) were materially lower than our forecast. NPATA of \$31.9m increased 28% on pcp and was +5.2% vs. WILSe.

Outlook. FY23 EBITDA guidance of \$62-66m was ahead of prior WILSe at \$60.3m and consensus at \$60.9m. PPE gave a positive outlook for FY23, expecting strong organic growth and seeing no signs of slowing in job vacancies despite RBA tightening. We understand guidance assumes organic growth of c.7-15%; given the buoyant employment market and PPE's track record of double-digit organic growth, we see low risk in the bottom half of the guidance range.

FY23-25 strategy. PPE outlined its 3-year strategy, based on a whole-of-cycle approach to front-end client advisory, staffing solutions and candidate upskilling. Financial success factors include continued 10% organic growth, 7% group EBITDA margins and lifting government share of work to 20% (7% currently). Management stated it is focused on opportunities in international nursing recruitment (into Australia), with ~\$30m of balance sheet headroom in FY23. Given the constrained nursing candidate market, we see this as a sensible area for strategic focus.

Forecasts. We upgrade EBITDA by 5% in FY23 to \$63.3m and 8% in FY24 to \$68.8m, driven by the ISS Vertical and lower corporate costs. We lower our EBITDA margins in FY23-24 by 0.5% for the H&C Vertical and 0.2-1.2% for the PS Vertical reflecting product mix. Both Verticals are well positioned, however, from the covid re-opening (H&C) and the elevated demand for candidates across both sectors. NPATA is lifted 6% in FY23 and 13% in FY24, with D&A revised higher from the quantum of leases and intangible assets inherited from the FIP acquisition.

Valuation. Our 12-month target price of \$5.30 p/share (was \$5.15) remains based on the average of our DCF and EV/EBITDA valuations. The increase is driven by earnings upgrades and a higher FY23 EBITDA multiple (from 8.5x to 9.5x), which is PPE's average 1-yr forward multiple since IPO, but is partly offset by the higher net debt balance following FIP.

Financial summary (Y/E Jun, AUD)	FY21A	FY22A	FY23E	FY24E	FY25E
Sales (\$m)	429.7	679.2	1,040	1,136	1,241
EBITDA norm (\$m)	38.0	47.2	63.3	68.8	73.2
Consensus EBITDA (\$m)			60.9	65.7	
EPS norm (cents)	22.8	26.8	27.4	33.3	38.0
EV/EBITDA (x)	11.5	9.3	6.8	6.0	5.4
P/E (x)	16.3	13.9	13.6	11.2	9.8
Dividend yield (%)	2.8	3.5	4.3	5.2	5.4

Source: Company data, Wilsons estimate, Refinitiv.
All amounts are in Australian Dollar (A\$) unless otherwise stated.

Wilsons Equity Research

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Recommendation

OVERWEIGHT

12-mth target price (AUD)	\$5.30
Share price @ 26-Aug-22 (AUD)	\$3.72
Forecast 12-mth capital return	42.5%
Forecast 12-mth dividend yield	4.3%
12-mth total shareholder return	46.8%

Market cap (\$m)	367.4
Enterprise value (\$m)	438.8
Shares on issue (m)	98.8
Sold short (%)	0.6
ASX All Ords weight (%)	0.0
Median turnover/day (\$m)	0.7

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12-mth price performance (\$)



	1-mth	6-mth	12-mth
Abs return (%)	13.4	(7.7)	(12.5)
Rel return (%)	9.3	(7.9)	(6.7)

Key changes		4-Aug	After	Var %
EBITDA	FY23E	60.3	63.3	5%
norm	FY24E	63.5	68.8	8%
(\$m)	FY25E		73.2	
EPS	FY23E	29.3	27.4	-7%
norm	FY24E	31.8	33.3	5%
(cents)	FY25E		38.0	
Price target		5.15	5.30	3%
Rating		O/W	O/W	

Business Description

PeopleIn Ltd (PPE) is a talent solutions and HR outsourcing company with operations across Australia, Singapore and New Zealand. The company's main activities include contract hire and permanent recruitment. PPE services a diverse range of sectors, including health & community care, technology, accounting & finance, government, food services, early learning, resources & renewables, hospitality & retail, construction and manufacturing.

Catalysts

(i) Rebound in skilled inbound immigration (e.g. UK/Ireland nurses); (ii) cross sell across each Vertical (e.g. accounting/IT roles into industrial clients); (iii) expansion in WA/SA/Singapore; (iv) leveraging PALM scheme capability into disability & aged care; (v) further acquisitions.

P&L (\$m)	FY21A	FY22A	FY23E	FY24E	FY25E
Sales	429.7	679.2	1,040	1,136	1,241
EBITDA norm	38.0	47.2	63.3	68.8	73.2
EBIT norm	31.3	36.1	44.1	52.7	58.9
PBT norm	29.8	33.9	37.6	46.4	53.1
NPAT norm	20.9	25.5	27.2	33.4	38.1
NPAT reported	17.7	17.7	23.4	29.6	34.3
EPS norm (cents)	22.8	26.8	27.4	33.3	38.0
DPS (cents)	10.5	13.0	16.0	19.2	20.2

Growth (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Sales	19.6	58.1	53.2	9.2	9.2
EBITDA norm	32.8	23.9	34.1	8.7	6.5
NPAT norm	46.2	22.1	6.9	22.6	14.1
EPS norm (cents)	21.1	17.8	2.1	21.7	14.1
DPS (cents)	23.5	23.8	23.4	19.5	5.4

Margins and returns (%)	FY21A	FY22A	FY23E	FY24E	FY25E
EBITDA margin	8.9	6.9	6.1	6.1	5.9
EBIT margin	7.3	5.3	4.2	4.6	4.7
PBT margin	6.9	5.0	3.6	4.1	4.3
NPAT margin	4.9	3.8	2.6	2.9	3.1
ROA	14.4	9.9	11.4	13.1	13.9
ROIC	22.4	16.9	20.3	24.6	27.4
ROE	18.2	17.9	17.4	19.8	20.7

Interims (\$m)	2H21A	1H22A	2H22A	1H23E	2H23E
Sales	242.6	314.5	364.6	508.7	531.6
EBITDA norm	17.1	21.6	25.6	31.0	32.3
EBIT norm	13.5	16.6	19.5	20.9	23.2
PBT norm	12.6	15.5	18.4	17.7	19.8
NPAT norm	9.1	10.9	14.5	12.9	14.3
NPAT reported	6.0	4.3	13.4	11.0	12.4
EPS norm (cents)	9.8	11.6	15.0	13.0	14.3
DPS (cents)	6.0	6.5	6.5	7.9	8.1

Stock specific	FY21A	FY22A	FY23E	FY24E	FY25E
ISS revenue (\$m)	251.2	415.0	712.1	777.6	849.2
H&C revenue (\$m)	132.7	139.2	152.1	166.1	181.4
PS revenue (\$m)	60.4	128.2	176.1	192.3	210.0
ISS EBITDA (\$m)	16.7	21.6	35.6	38.9	42.5
H&C EBITDA (\$m)	16.7	12.0	12.9	14.1	15.4
PS EBITDA (\$m)	8.3	17.6	24.7	26.9	27.8
NPATA norm (\$m)	25.0	31.9	39.9	42.7	45.0

Source: Company data, Wilsons estimate, Refinitiv.
All amounts are in Australian Dollar (A\$) unless otherwise stated.

Investment Thesis

The benefit of PPE's diversification was highlighted in its FY22 result, with strong organic growth across the ISS and PS Verticals, and contribution from recent acquisitions, offsetting temporary weakness in the H&C Vertical. We are attracted to the company's exposure to defensive growth sectors, which have a favourable long-term employment growth outlook. We rate PPE OVERWEIGHT, currently trading at a 30% discount to our \$5.30 target price.

Risks

(i) Loss of market share to existing or new competitors; (ii) RBA tightening cycle leads to a material economic slowdown; (iii) worsening of constrained candidate market (e.g. immigration takes longer to recover than expected).

Balance sheet (\$m)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash & equivalents	13.7	27.0	30.8	39.5	47.8
Current receivables	76.0	107.5	135.2	147.7	161.3
Current inventory	0.0	0.0	0.0	0.0	0.0
PPE	9.1	15.9	16.6	18.4	20.3
Intangibles	116.9	202.0	192.3	185.2	180.6
Other assets	1.7	12.4	12.4	12.4	12.4
Total assets	217.4	364.8	387.4	403.2	422.3
Current payables	33.7	51.0	76.7	83.8	91.6
Total debt	39.0	98.4	92.1	84.9	78.1
Other liabilities	27.3	68.3	58.3	60.9	63.4
Total liabilities	102.8	222.4	231.3	234.2	238.1
Minorities	2.4	2.6	3.3	4.0	4.8
Shareholders equity	112.2	139.8	152.8	164.9	179.4

Cash flow (\$m)	FY21A	FY22A	FY23E	FY24E	FY25E
Operating cash flow	7.6	22.1	42.5	41.5	43.9
Maintenance capex	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
Free cash flow	7.5	21.8	42.2	41.3	43.6
Growth capex	(1.2)	(4.2)	(4.9)	(4.2)	(4.6)
Acquisitions/disposals	(22.0)	(49.8)	(9.0)	0.0	0.0
Dividends paid	(7.1)	(10.6)	(14.4)	(17.5)	(19.8)
Other cash flow	(1.8)	(3.6)	(3.8)	(3.7)	(4.1)
Cash flow pre-financing	(24.6)	(46.5)	10.1	15.8	15.2
Funded by equity	0.6	0.3	0.0	0.0	0.0
Funded by cash/debt	17.1	(13.6)	(3.8)	(8.7)	(8.3)

Liquidity	FY21A	FY22A	FY23E	FY24E	FY25E
Cash conversion (%)	53.5	80.8	91.6	87.2	87.5
Net debt (\$m)	25.2	71.4	61.3	45.5	30.3
Net debt / EBITDA (x)	0.7	1.5	1.0	0.7	0.4
ND / ND + Equity (%)	18.1	33.4	28.2	21.2	14.1
EBIT / Interest expense (x)	20.2	16.8	6.8	8.3	10.3

Valuation	FY21A	FY22A	FY23E	FY24E	FY25E
EV / Sales (x)	1.0	0.6	0.4	0.4	0.3
EV / EBITDA (x)	11.5	9.3	6.8	6.0	5.4
EV / EBIT (x)	14.0	12.2	9.7	7.8	6.8
P / E (x)	16.3	13.9	13.6	11.2	9.8
P / BV (x)	3.0	2.6	2.4	2.2	2.0
FCF yield (%)	2.2	5.9	11.3	11.1	11.7
Dividend yield (%)	2.8	3.5	4.3	5.2	5.4
Payout ratio (%)	46.1	48.5	58.6	57.5	53.1
Franking (%)	100.0	100.0	100.0	100.0	100.0
Weighted shares (m)	91.7	95.0	99.5	100.2	100.2

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FY22 Results Review

Figure 1: Summary of PPE's FY22 result

Y/E Jun, AUD		FY21A	FY22A	Growth	WILSe	Var.
Revenue						
Industrial & Specialist vertical	\$m	251.2	415.0	65.2%	399.6	3.8%
Health & Community vertical	\$m	132.7	139.2	4.9%	157.4	(11.6%)
Professional Services vertical	\$m	60.4	128.2	112.4%	135.0	(5.0%)
Corporate	\$m	0.0	0.0	(70.6%)	0.2	(95.4%)
Group revenue	\$m	444.3	682.3	53.6%	692.2	(1.4%)
EBITDA						
Industrial & Specialist vertical	\$m	16.7	21.6	29.4%	21.4	1.0%
Health & Community vertical	\$m	16.7	12.0	(28.4%)	14.1	(15.0%)
Professional Services vertical	\$m	8.3	17.6	111.6%	20.1	(12.0%)
Corporate	\$m	(6.7)	(11.0)	(64.1%)	(17.5)	37.3%
EBITDA rep	\$m	35.0	40.2	14.8%	38.0	5.9%
Normalisations:						
Acquisition costs	\$m	0.6	0.6		1.3	
Share-based payments	\$m	1.1	3.3		2.9	
Fair value mvmt in conting. consid.	\$m	0.9	3.5		4.9	
Other	\$m	0.3	(0.6)		(0.7)	
EBITDA norm	\$m	38.0	47.2	23.9%	46.3	1.9%
EBITDA norm, incl. share-based pmnts	\$m	36.9	43.8	18.7%	43.4	1.0%
EBIT norm	\$m	31.3	36.1	15.1%	36.1	(0.2%)
NPAT norm	\$m	20.9	25.5	22.0%	24.0	6.3%
NPATA norm	\$m	25.0	31.9	27.8%	30.4	5.2%
EPS norm (basic)	cps	22.8	26.8	17.8%	25.0	7.1%
NPATA/sh norm (basic)	cps	27.3	33.6	23.3%	30.9	8.6%
DPS	cps	10.5	13.0	23.8%	13.9	(6.7%)
ROE (NPATA)	%	23.9%	25.3%	1.4%	24.6%	0.7%
Net debt	\$m	25.2	71.4	(182.7%)	64.7	(10.4%)
Net debt / EBITDA norm	x	0.66	1.51	(0.85)	1.40	(0.12)
Operating cash flow	\$m	7.6	22.1	191.0%	36.0	(38.8%)
Change in working capital	\$m	(31.9)	(14.3)	55.1%	3.3	nm
Free cash flow	\$m	7.5	21.8	190.9%	35.9	(39.2%)
Operating cash conversion	%	58%	95%	36.7%	129%	(34.3%)

Source: PPE, Wilsons. Note: Free cash flow calculated as net cash from operating activities less maintenance capex; Operating cash conversion calculated as net cash from operating activities less net finance costs less tax, divided by reported EBITDA.

Income Statement

Revenue of \$682m increased 54% on pcp and was slightly below our forecast. Growth was broad based, with organic growth contributing 16% to growth, and the remainder from acquisitions completed during FY22 and in late FY21. According to Wilsons analysis, PPE has now achieved double-digit organic revenue growth in every year since IPO, excluding FY20 (covid impacted).

EBITDA reported of \$40.2m increased 15% on pcp and was 5.9% above our forecasts. Results by Vertical included:

- **Industrial & Specialist:** \$21.6m, up 29% on pcp and +1.0% vs. WILSe. Driven by full-year contributions from Techforce and Vision Surveys, and organic growth. The only disappointment in this Vertical was the c.\$2.3m impairment of a receivable relating to a Techforce client. However, we understand PPE views the risk across Techforce's remaining client base to be materially lower, and we also note PPE's excellent track record since IPO in receivables management.
- **Health & Community:** \$12.0m, down 28% on pcp and -15% vs. WILSe. The H&C Vertical suffered a 5% fall in billable hours in FY22, due to covid restrictions and delayed restarting of elective surgeries.

PPE noted recent broad-based demand recovery in the Vertical, and now has ~330 international nurses contracted (albeit still well below pre-covid levels of ~1,500 int'l nurses).

- **Professional Services:** \$17.6m, up 112% on pcp and -12% vs. WILSe. Margin of 13.8% was below our forecast (14.9%), with permanent recruitment volumes, while still elevated, lower than we expected. Notwithstanding this, the PS Vertical enjoyed solid organic growth while Perigon (acquired in Feb-22) achieved a record full-year result.
- **Corporate:** Corporate costs at the EBITDA line at \$11.0m were below WILSe at \$17.5m.

EBITDA norm of \$47.2m increased 24% on pcp and was 1.9% ahead of our forecasts. PPE noted that organic growth contributed 10.5% to FY22 EBITDA norm growth.

NPATA norm of \$31.9m increased 28% on pcp and was 5.2% ahead of our forecasts.

NPATA norm per share (basic) of 33.6cps increased 23% on pcp and was 8.6% above our forecasts.

PeopleIn declared a final dividend of 6.5cps (pcp: 6.0cps), below our forecast of 7.4cps. This represents a full-year dividend of 13.0cps (pcp: 10.5cps, WILSe 13.9cps), and a payout ratio of 39% of normalised NPATA (WILSe 45%).

Cash Flow

PPE reported a strong rebound in operating cash flow in FY22 (\$22.1m, up 191% on pcp) and operating cash conversion (95%, +37% on pcp), following the impact of the Techforce acquisition in FY21. While these were below WILSe, we had weighted the impact of the FIP acquisition from a working capital standpoint too heavily in FY23.

Balance Sheet

Net debt at Jun-22 of \$71.4m, \$6.7m higher than WILSe, due to PPE financing the upfront consideration for FIP with slightly more debt than expected. Net debt to EBITDA now stands at 1.51x, well below the company's covenant of 3.0x, but at its preferred 1.5x internal limit. PPE estimates it will have ~\$30m balance sheet capacity to fund acquisition and growth opportunities in FY23 while staying within its preferred ND/EBITDA limit.

NPATA return on shareholders equity increased by 1.4% on pcp to 25.3% in FY22, +0.7% relative to WILSe, highlighting the company's relatively low capital investment requirements.

FY23-FY25 strategy

Figure 2: Whole-of-cycle approach



Source: PPE.

Figure 3: Financial success factors

Success looks like
10% ORGANIC GROWTH
& COMPLEMENTARY ACCRETIVE ACQUISITIONS

- +7% EBITDA margin
- Leading employer of choice - employee engagement of 80%
- 20% government work
- Global health network presence established
- Industry leading safety compliance

Source: PPE.

Earnings Outlook

Guidance and Outlook

PPE provided normalised EBITDA guidance for FY23 of \$62-66m, which is ahead of our prior estimate of \$60.3m and prior consensus of \$60.9m. Management stated this range assumes organic EBITDA growth of c.7-15% – given the company's history of delivering double-digit organic growth and the current buoyant employment conditions, we see the bottom half of the guidance range as low risk and therefore believe consensus earnings upgrades are likely.

Management also provided an upbeat outlook for the business, noting that operating conditions continue to be positive for PPE given the strength of the employment market and unprecedented demand from clients for employees, and that it expects strong organic growth to continue in FY23. The company stated that it did not see any evidence of weakening in job vacancies across its focus sectors, notwithstanding the current RBA tightening cycle. For its IT contracting and recruitment business, for example, PPE noted that its client base predominantly comprises large blue-chip companies and government departments, rather than smaller technology enterprises.

Changes to Our Forecasts

Our revised forecasts for FY23-FY24 are set out in Figure 4 below, and our detailed estimates to FY27 are included in Figure 5. Our assumptions for each Vertical are largely impacted by the ending position for FY22, albeit we have moderated our assumed long-term sustainable EBITDA margin for H&C from 9.0% to 8.5%, and lowered our margin for PS to 14.0% for FY23-FY24, broadly in line with FY22. Corporate costs have been reduced in line with the FY22 full-year result.

We lift our EBITDA norm forecasts by 5-8% and NPATA norm by 6-13% for FY23-FY24. D&A is likely to be slightly higher than anticipated in these years owing to the level of leases and intangible assets (ex. goodwill and brand names) inherited from the FIP acquisition.

Figure 4: Summary of changes to our forecasts

Y/E Jun, AUD	FY23			FY24			
	Old	New	% chg	Old	New	% chg	
Revenue							
Industrial & Specialist	\$m	663.5	712.1	7.3%	724.6	777.6	7.3%
Health & Community	\$m	183.5	152.1	(17.1%)	200.4	166.1	(17.1%)
Professional Services	\$m	192.1	176.1	(8.3%)	209.8	192.3	(8.3%)
Group revenue	\$m	1,039.5	1,040.3	0.1%	1,135.1	1,136.0	0.1%
EBITDA margins							
Industrial & Specialist	%	5.0%	5.0%	-	5.0%	5.0%	-
Health & Community	%	9.0%	8.5%	(0.5%)	9.0%	8.5%	(0.5%)
Professional Services	%	15.2%	14.0%	(1.2%)	14.2%	14.0%	(0.2%)
EBITDA rep							
Industrial & Specialist	\$m	33.2	35.6	7.3%	36.2	38.9	7.3%
Health & Community	\$m	16.5	12.9	(21.7%)	18.0	14.1	(21.7%)
Professional Services	\$m	29.3	24.7	(15.8%)	29.9	26.9	(9.9%)
Corporate	\$m	(20.8)	(13.0)	(37.5%)	(22.7)	(14.2)	(37.5%)
Group EBITDA rep	\$m	58.2	60.2	3.4%	61.4	65.7	7.0%
EBITDA norm	\$m	60.3	63.3	4.9%	63.5	68.8	8.3%
NPAT norm	\$m	29.0	27.2	(6.0%)	31.5	33.4	6.1%
NPATA norm	\$m	37.6	39.9	6.1%	37.7	42.7	13.1%
EPS norm (basic)	cps	29.3	27.4	(6.6%)	31.8	33.3	4.6%
NPATA/sh norm (basic)	cps	37.3	40.1	7.6%	37.4	42.6	13.9%
DPS	cps	16.8	16.0	(4.4%)	18.7	19.2	2.5%

Source: Wilsons.

Detailed Revised Forecasts

Figure 5: Summary of our revised forecasts

		FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY27E
Revenue											
Industrial & Specialist	\$m	-	-	206.7	251.2	415.0	712.1	777.6	849.2	927.3	1,012.7
Health & Community	\$m	-	-	113.7	132.7	139.2	152.1	166.1	181.4	198.1	216.3
Professional Services	\$m	-	-	49.9	60.4	128.2	176.1	192.3	210.0	229.3	250.4
Corporate	\$m	-	-	0.8	0.0	0.0	-	-	-	-	-
Group revenue	\$m	-	-	371.2	444.3	682.3	1,040.3	1,136.0	1,240.5	1,354.7	1,479.4
Revenue growth											
Industrial & Specialist	%	-	-	-	21.5%	65.2%	71.6%	9.2%	9.2%	9.2%	9.2%
Health & Community	%	-	-	-	16.7%	4.9%	9.3%	9.2%	9.2%	9.2%	9.2%
Professional Services	%	-	-	-	21.0%	112.4%	37.3%	9.2%	9.2%	9.2%	9.2%
EBITDA rep											
Industrial & Specialist	\$m	-	-	16.4	16.7	21.6	35.6	38.9	42.5	46.4	50.6
Health & Community	\$m	-	-	15.2	16.7	12.0	12.9	14.1	15.4	16.8	18.4
Professional Services	\$m	-	-	7.1	8.3	17.6	24.7	26.9	27.8	28.7	31.3
Corporate	\$m	-	-	(7.9)	(6.7)	(11.0)	(13.0)	(14.2)	(15.5)	(16.9)	(18.5)
Group EBITDA rep	\$m	-	-	30.8	35.0	40.2	60.2	65.7	70.2	74.9	81.8
EBITDA margin											
Industrial & Specialist	%	-	-	8.0%	6.7%	5.2%	5.0%	5.0%	5.0%	5.0%	5.0%
Health & Community	%	-	-	13.3%	12.6%	8.6%	8.5%	8.5%	8.5%	8.5%	8.5%
Professional Services	%	-	-	14.2%	13.8%	13.8%	14.0%	14.0%	13.2%	12.5%	12.5%
EBITDA norm	\$m	13.0	19.1	28.7	38.0	47.2	63.3	68.8	73.2	77.9	84.8
EBITDA norm, incl. share-based pmn ¹	\$m	12.8	18.8	28.2	36.9	43.8	59.5	65.0	69.4	74.2	81.0
NPAT norm	\$m	7.2	9.6	14.3	20.9	25.5	27.2	33.4	38.1	43.4	48.7
NPATA norm	\$m	8.9	12.1	18.2	25.0	31.9	39.9	42.7	45.0	48.7	53.1
EPS norm (basic)	cps	15.0	14.8	18.8	22.8	26.8	27.4	33.3	38.0	43.3	48.6
NPATA/sh norm (basic)	cps	18.6	18.5	24.0	27.3	33.6	40.1	42.6	44.9	48.6	53.0
DPS	cps	4.0	8.5	8.5	10.5	13.0	16.0	19.2	20.2	24.3	26.5
ROE (NPATA)	%	20.8%	21.7%	22.1%	23.9%	25.3%	27.3%	26.9%	26.1%	25.9%	25.7%
Net debt	\$m	7.1	13.4	(9.9)	25.2	71.4	61.3	45.5	30.3	14.1	(2.3)
Net debt / EBITDA norm	x	0.5	0.7	-0.3	0.7	1.5	1.0	0.7	0.4	0.2	0.0
Change in working capital	\$m	(3.2)	(4.1)	8.3	(31.9)	(14.3)	(1.9)	(5.4)	(5.8)	(6.3)	(7.0)
Free cash flow	\$m	6.3	10.8	27.1	7.5	21.8	42.2	41.3	43.6	47.8	52.2
Operating cash conversion	\$m	92%	81%	118%	58%	95%	96%	91%	91%	91%	91%

Source: PPE, Wilsons. Note: Free cash flow calculated as net cash from operating activities less maintenance capex; Operating cash conversion calculated as net cash from operating activities less net finance costs less tax, divided by reported EBITDA.

Valuation

Our 12-month target price of \$5.30 p/share (was \$5.15) remains based on the average of our DCF and EV/EBITDA valuations. The increase is driven by earnings upgrades and a higher FY23 EBITDA multiple (from 8.5x to 9.5x), which is PPE's average 1-yr forward multiple since IPO, but is partly offset by the higher net debt balance.

Our EV/EBITDA multiple of 9.5x is a 16% premium to the international peer group average and a 21% discount to PPE's key local comparable, APM Human Services. We believe the premium to the int'l peer group is justified by PPE's materially higher FY23E earnings growth, and a 3-yr EBITDA CAGR more than double the peer group.

Figure 6: DCF valuation

Y/E Jun, AUD					
Calculation			Assumptions		
PV of FCF (8yrs)	\$m	266.6	Risk free rate	%	3.0%
PV of terminal value	\$m	366.0	Equity risk premium	%	6.0%
Enterprise value	\$m	632.6	Beta (levered)	x	1.5
TV as % EV	%	58%	Cost of equity	%	12.0%
Net (debt) / cash	\$m	(71.4)	Cost of debt (pre tax)	%	5.0%
Minority interests	\$m	(2.6)	Target gearing (D/D+E)	%	15%
Equity value	\$m	558.6	Corporate tax rate	%	30%
SOI (fully diluted)	m	102.4	WACC (pre tax)	%	11.0%
Equity value p/share	\$	5.45	WACC (post tax)	%	10.7%
			Terminal growth rate	%	3.0%

Source: Wilsons.

Figure 7: EV/EBITDA valuation

Y/E Jun, AUD		
FY23E EBITDA norm	\$m	63.3
Multiple	x	9.5
EV/EBITDA-G ratio	x	0.28
Enterprise value	\$m	600.9
Less: net debt / (cash)	\$m	71.4
Less: minority interests	\$m	2.6
Equity value	\$m	526.9
SOI (fully diluted)	m	102.4
Equity value p/share	\$	5.14

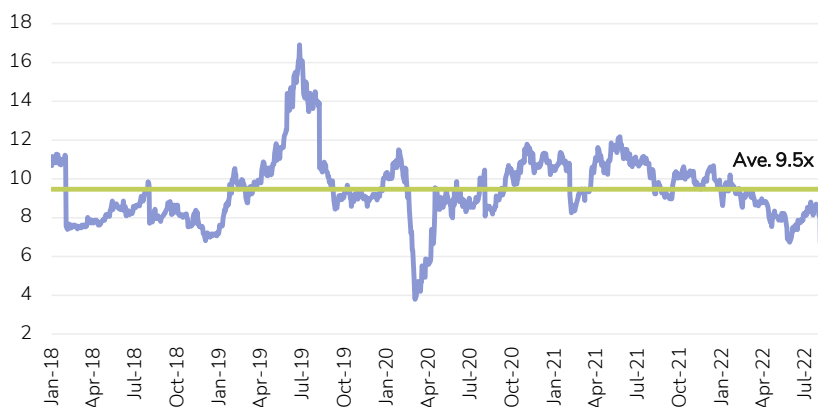
Source: Wilsons.

Figure 8: Comparable company trading multiples

Company Name	Ticker	Currency	Y/E	Mkt cap	EV	EV/EBITDA (x)			PER (x)			EBITDA Growth (%)			
						A\$M	A\$M	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2
PeopleIn Ltd	PPE.AX	AUD	30-Jun	372	444	7.0x	6.4x	6.1x	13.9x	11.4x	10.0x	34%	9%	6%	16%
Domestic peers															
APM Human Services Int'l Ltd	APM.AX	AUD	30-Jun	3,233	3,646	12.0x	10.4x	9.4x	18.4x	17.3x	14.0x	NM	15%	11%	13%
International peers															
Adecco Group AG	ADEN.S	CHF	04-Aug	7,719	11,826	7.8x	7.6x	7.2x	8.5x	8.5x	8.0x	(9%)	3%	5%	(0%)
Hays PLC	HAYS.L	GBP	30-Jun	3,248	3,152	6.2x	5.6x	5.2x	12.1x	11.1x	11.2x	12%	10%	7%	10%
ManpowerGroup Inc	MAN	USD	31-Dec	5,550	6,344	5.7x	5.8x	5.0x	8.6x	8.9x	7.0x	14%	(2%)	17%	9%
Persol Holdings Co Ltd	2181.T	JPY	31-Mar	7,125	6,843	9.1x	8.3x	7.5x	20.5x	18.1x	15.0x	10%	10%	12%	11%
Randstad NV	RAND.AS	EUR	31-Dec	12,362	13,425	6.2x	6.4x	6.3x	9.7x	10.1x	9.8x	10%	(3%)	2%	3%
Recruit Holdings Co Ltd	6098.T	JPY	31-Mar	83,041	76,577	14.0x	12.7x	10.9x	25.7x	22.5x	18.2x	6%	11%	17%	11%
International group average						8.2x	7.7x	7.0x	14.2x	13.2x	11.5x	7%	5%	10%	7%
International group median						7.0x	7.0x	6.8x	10.9x	10.6x	10.5x	10%	6%	10%	10%

Source: Wilsons, Refinitiv (as at 26/8/2). PPE earnings multiples based on Wilsons estimates. Peer company earnings multiples based on consensus estimates.

Figure 9: PPE 1-yr forward EV/EBITDA multiple



Source: Refinitiv, as at 26/8/22.

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