

# PeopleIn Limited

## A niche industry in the palm of your hand

PPE has acquired Food Industry People (FIP) for an upfront sum of \$45m and up to \$25m in deferred consideration based on earn-out targets. FIP is a large and established provider in the niche recruitment market servicing local industry with labour from the Pacific region. Founded in 2006 and with over 90 local customers in the food, agri and industrial markets, FIP works on behalf of over 4,500 employees operating under the Pacific Australia Labour Mobility (PALM) program. The size and scope of the PALM program has recently been broadened which accelerates the capturable customer and employee market materially. We see clear scope for PeopleIn to widen the opportunity set for PALM employees to include the health segment, leveraging the existing customer base across hospital, NDIS and community health. We forecast FIP to contribute \$9.5m EBITDA in FY23e and conservatively \$12.4m EBITDA in FY24e, with upside risk. The acquisition is 13% EPS accretive in FY23e and 15% EPS accretive in FY24e. The addition of a specialised, high market share business with growth potential strengthens the investment case for PPE. We upgrade our price target to \$4.59 per share (from \$4.35). Trading on a discount to the peer set and with positive organic and acquired earnings growth, we re-iterate the BUY recommendation. The acquisition is due to settle during June '22.

### Food Industry People (FIP)

- Current CEO Brad Seagrott has been contracted to join the PPE executive leadership team. FIP is forecast to generate ~\$220m revenues and ~\$9.5m EBITDA in FY23e. The majority of FIP's 4,500 employees are engaged in the food manufacturing and agricultural segments nationally. Between FY16-FY22 FIP has grown EPS by a compounded rate of 27%.

### \$45m upfront acquisition price at a 4.7x EV/EBITDA multiple

- The upfront consideration includes \$35m cash and \$10m shares issued at \$3.27/shr. Inclusive of all earn-out targets (a total of \$25m) the maximum consideration for the acquisition would imply ~\$14m EBITDA in FY24e.

### BUY recommendation, \$4.59 price target (from \$4.35)

- With existing growth and potential for cross-segment synergies under PPE ownership we view this acquisition favourably.

Year-end June (\$)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (\$m)	374.2	444.4	678.6	979.6	1,083.0
EBITDA (\$m)	28.2	36.9	44.6	60.4	66.8
EBIT (\$m)	25.1	33.9	39.5	54.1	60.1
Reported NPAT (\$m)	16.4	17.7	18.4	30.6	35.4
Reported EPS (c)	21.6	19.3	19.4	30.4	35.0
Normalised NPAT (\$m)	16.0	22.6	26.0	35.8	40.6
Normalised EPS (c)	21.1	24.7	27.5	35.6	40.1
EPS Growth (%)	66.3	17.2	11.5	29.2	12.8
Dividend (c)	8.5	10.5	12.5	13.5	14.5
Net Yield (%)	2.6	3.2	3.8	4.1	4.4
Franking (%)	100	100	100	100	100
EV/EBITDA (X)	10.3	9.2	9.2	6.3	5.4
Normalised P/E (x)	15.7	13.4	12.0	9.3	8.2
Normalised ROE (%)	19.4	21.4	20.2	23.1	22.8

Source: OML, Iress, PeopleIn Limited

### Last Price

**A\$3.30**

### Target Price

**A\$4.59 (Previously A\$4.35)**

### Recommendation

**Buy**

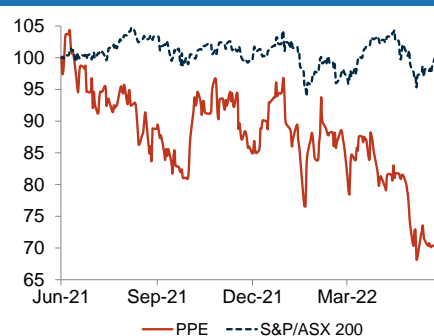
### Risk

**Higher**

### Human Resource and Employment Services

ASX Code	PPE
52 Week Range (\$)	3.17 - 4.85
Market Cap (\$m)	325.7
Shares Outstanding (m)	98.7
Av Daily Turnover (\$m)	0.0
3 Month Total Return (%)	-17.5
12 Month Total Return (%)	-29.3
Benchmark 12 Month Return (%)	-1.3
NTA FY22E (¢ per share)	-30.1
Net Debt FY22E (\$m)	82.2

### Relative Price Performance



Source: FactSet

### Consensus Earnings

	FY22E	FY23E
NPAT (C) (\$m)	27.3	31.7
NPAT (OM) (\$m)	26.0	35.8
EPS (C) (c)	28.5	32.7
EPS (OM) (c)	27.5	35.6

Source: OML, Iress, PeopleIn Limited

#### Ian Munro

Senior Research Analyst  
(03) 9608 4127  
imunro@ords.com.au

#### Jack Dunn, CFA

Research Associate  
(03) 9608 4117  
jdunn@ords.com.au

## Forecast changes

Figure 1: 13% EPS accretion FY23e, 15% EPS accretion FY24e

	FY22e			FY23e			FY24e		
	old	new	change %	old	new	change %	old	new	change %
<b>revenue- segments \$m</b>									
Industrial & Specialist*	418	418	0%	479	699	46%	507	782	54%
Health & Community*	146	146	0%	158	158	0%	171	171	0%
Technology*	114	114	0%	122	122	0%	131	131	0%
<b>revenue- total</b>	<b>679</b>	<b>679</b>	<b>0%</b>	<b>760</b>	<b>980</b>	<b>29%</b>	<b>808</b>	<b>1083</b>	<b>34%</b>
<b>EBITDA- segments \$m</b>									
Industrial & Specialist*	22.9	22.9	0%	26.4	35.9	36%	28.9	40.3	40%
Health & Community*	13.2	13.2	0%	14.7	14.7	0%	15.9	15.9	0%
Technology*	14.6	14.6	0%	15.6	15.6	0%	16.7	16.7	0%
unallocated	-4.3	-4.3	0%	-5.2	-5.2	0%	-5.5	-5.5	0%
<b>EBITDA - pre SBP "PPE"</b>	<b>46.4</b>	<b>46.4</b>	<b>na</b>	<b>51.5</b>	<b>61.0</b>	<b>18%</b>	<b>56.0</b>	<b>67.4</b>	<b>20%</b>
share based payments	-1.8	-1.8	na	-0.6	-0.6	0%	-0.3	-0.6	100%
<b>EBITDA- underlying</b>	<b>44.6</b>	<b>44.6</b>	<b>0%</b>	<b>50.9</b>	<b>60.4</b>	<b>19%</b>	<b>55.7</b>	<b>66.8</b>	<b>20%</b>
EBITDA margin %	6.8%	6.8%	0%	6.8%	6.2%	-8%	6.9%	6.2%	-10%
<b>Key P&amp;L metrics \$m</b>									
D&A- underlying	-4.6	-5.0	10%	-5.0	-6.3	27%	-5.3	-6.7	25%
EBITA	40.7	40.1	-1%	46.9	55.9	19%	51.5	62.2	21%
EBIT	40.0	39.5	-1%	46.0	54.1	18%	50.3	60.1	19%
net interest	-2.2	-2.4	7%	-2.2	-3.0	34%	-1.4	-2.1	49%
PBT - underlying	37.8	37.1	-2%	43.7	51.1	17%	48.9	58.0	19%
<b>NPATA - underlying</b>	<b>26.4</b>	<b>26.0</b>	<b>-2%</b>	<b>30.6</b>	<b>35.8</b>	<b>17%</b>	<b>34.2</b>	<b>40.6</b>	<b>19%</b>
EPS (cents):underlying EPS-A	28.0	27.5	-2%	31.4	35.5	13%	34.9	40.1	15%
D&A - reported	-10.2	-9.0	-12%	-10.6	-13.8	30%	-11.0	-14.1	29%
Abnormals - pre-tax	-5.9	-6.9	17%	0.0	0.0	0%	0.0	0.0	na
reported NPAT	18.4	18.4	0%	26.7	30.6	15%	30.3	35.4	17%
dividend (cents)	12.5	12.5	0%	13.5	13.5	0%	14.5	14.5	0%
payout % cash EPS	45%	45%	1%	43%	38%	-5%	42%	36%	-5%
<b>Key metrics \$m</b>									
operating cash flow	24.7	20.0	-19%	37.3	54.5	46%	40.2	44.7	11%
net capex & leases	-6.0	-6.0	0%	-6.1	-6.1	0%	-6.2	-6.2	0%
acquisitions	-22.6	-65.3	na	-5.1	-5.1	na	-3.6	-3.6	na
free cash flow (post tax)	-11.6	-51.4	341%	26.1	43.3	66%	30.3	34.9	15%
net debt (cash)	42.5	82.2	93%	23.3	45.8	97%	6.1	24.5	299%
Net debt/EBITDA	0.9x	0.9x	0%	1.0x	1.8x	93%	0.5x	0.8x	66%
ROE %	21%	20%	-6%	22%	23%	7%	21%	23%	7%
EV/EBITDA x	8.1	9.3	14%	6.8	6.3	-8%	5.9	5.4	-9%
EV/EBIT x	9.0	10.4	15%	7.5	7.0	-7%	6.5	6.0	-9%
<b>P/E x</b>	<b>11.8</b>	<b>12.0</b>	<b>2%</b>	<b>10.5</b>	<b>9.3</b>	<b>-12%</b>	<b>9.4</b>	<b>8.2</b>	<b>-13%</b>

Source Ord Minnett Limited Research

### Acquisition assumptions

- We assume that FIP contributes \$9.5m EBITDA in FY23e and \$12.4m EBITDA in FY24e, triggering a \$14m cash earn out payment in FY25e.
- We see upside risks to the forecasts on the basis of the latent demand for staff within FIP's existing food and agri verticals and supply/demand matches within PPE's health vertical.
- We assume that the \$45m upfront purchase price is evenly distributed within working capital, fixed assets, goodwill, and other intangible assets.
- FIP is responsible for ~4,500 employees via the PALM program, equivalent to 18% market share. We see potential to double the number of employees by FY25e as the program expands into future periods.
- The acquisition is funded from debt and existing cash facilities. Net debt/EBITDA rises to 1.1x (pro-forma) in FY22e and 0.8x in FY24e (actual).

## About the PALM scheme

The Pacific Australia Labour Mobility (PALM) scheme allows Australian businesses to hire workers from 9 Pacific Island countries and Timor-Leste when there are not enough local workers available. The scheme enables employers to access two types of workers, seasonal workers (up to 12 months) and longer-term workers (1-4 years). Eligible employers in the agriculture sector can be based anywhere in Australia, whereas all other sectors must be based in a regional or rural location.

In April 2022 key changes were made to the PALM scheme, including:

- The two separate worker visa streams were replaced by a single VISA with both seasonal and long-term options. The new visa is valid for a longer period of up to 4 years and allows workers to return to Australia multiple times.
- Removal of recruitment caps for employers with a good track record and relationship manager staff on the ground.
- Removal of restrictions on sectors and industries eligible to participate.

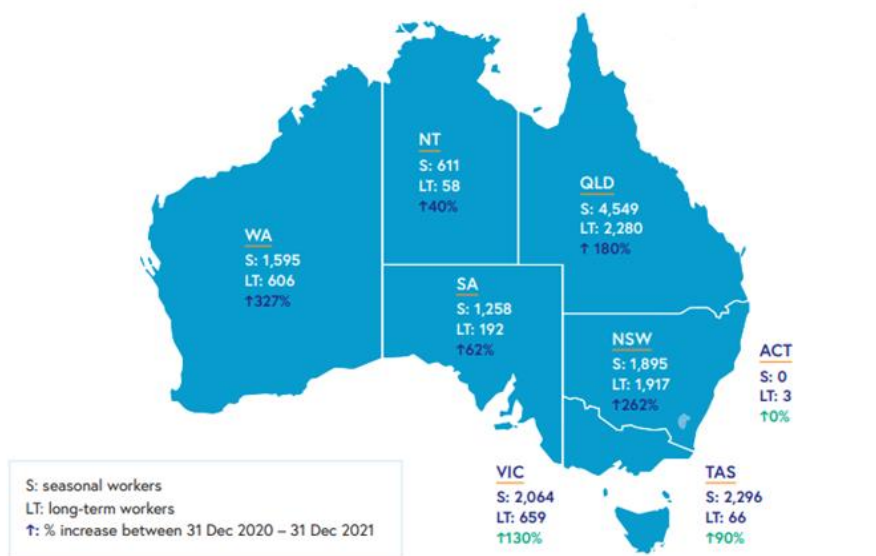
Further boosting the support of the PALM Scheme, the Labor government has outlined several policies to increase its uptake and expansion, including:

- Reducing employer’s upfront cost for SWP worker’s international and domestic travel costs to \$300.
- Allow longer-term workers to bring their partners and children to Australia.

### PALM Scheme key facts

- PALM workers have grown from 5,514 in March 2019 to 23,427 in April 2022.
- More than 19,000 workers have arrived since labour mobility restarted in August 2020.
- 79% of workers are in the agriculture, forestry, and fishing industry.
- 373 PALM employers, 95 of which are owned by FIP.
- 52,000 pre-screened workers awaiting job offers from approved PALM scheme employers.
- There are 4,000 – 9,000 suitable PALM Scheme workers available to meet the forecasted 90,000 FTE gap in the Australian disability support services sector.

Figure 2: Distribution of workers in Australia (at 31 December 2021)



Source: Pacific Australia Labour Mobility

## Valuation

- We value PPE adopting a DCF methodology with a weighted average cost of capital of 10.1% (from 10.1%), cost of equity of 11.0% (from 11.0%) and terminal growth rate of 3%. Revised DCF valuation rises to \$4.59 per share (previous \$4.35 per share).
- On a relative basis, PPE trades on the price/earnings ratio of 12.0x for FY22e, which represents a -14% discount to the peer set. Based on FY23e forecasts, this discount extends to -29% versus the peer group, validating our BUY recommendation.

Figure 3: 12.0x relative P/E versus peer average of 14.0x

Company	Mkt cap		Price / Earnings			EV/ EBITDA			EV / Sales		Return on equity		EV/EBIT	
	A\$m	A\$m	FY21	FY22	FY23	FY21	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23
APM Group	2733	3187	na	15.8	15.4	na	10.5	9.0	2.3	1.9	14.2	12.1	15.3	12.8
Nisso Corp	218	155	11.7	12.4	8.4	na	5.6	3.1	0.2	0.2	12.2	16.3	6.7	4.2
Creek & River Co Ltd	513	425	32.3	21.2	17.6	na	na	na	1.0	0.9	19.7	20.7	11.8	10.3
Persol Holdings Co	6,381	6,021	36.2	20.3	18.7	13.8	8.4	8.2	0.5	0.5	17.3	16.5	11.4	10.6
JAC Recruitment	6,381	6,021	36.2	20.3	18.7	13.8	8.4	8.2	0.5	0.5	17.3	16.5	11.4	10.6
WDB Holdings Co	487	263	16.7	10.7	13.7	na	na	na	0.6	0.6	16.8	na	4.2	5.4
Hays PLC	3,498	3,418	36.8	14.5	12.4	12.2	7.3	6.4	0.3	0.3	16.9	20.6	9.3	7.9
Page Group	2,603	2,507	12.5	10.1	9.4	6.5	5.6	5.3	0.8	0.7	41.7	36.0	6.9	6.6
Sthree PLC	895	853	13.0	11.7	10.6	6.8	6.2	5.6	0.3	0.3	25.3	24.0	7.4	6.7
Robert Walters	686	584	12.2	9.9	8.9	4.6	4.1	3.8	0.3	0.3	20.0	19.1	5.6	5.1
Korn Ferry	4,616	3,884	26.8	10.1	10.7	9.8	4.9	5.1	1.1	1.0	na	17.7	6.2	6.4
AMN Healthcare Services	6,146	7,147	12.9	9.9	12.8	8.3	6.6	8.3	1.0	1.3	34.1	24.5	8.0	10.3
Kforce Inc	4,616	3,884	26.8	10.1	10.7	9.8	4.9	5.1	1.1	1.0	na	17.7	6.2	6.4
Brunel International NV	826	767	20.1	16.4	13.4	8.1	7.5	6.4	0.5	0.4	12.6	14.4	9.1	7.4
Amadeus Fire AG	1,145	1,225	19.0	17.0	15.3	9.3	8.6	7.9	2.0	1.9	26.9	24.8	11.4	10.5
		Average	<b>22.4</b>	<b>14.0</b>	<b>13.1</b>	<b>9.4</b>	<b>6.8</b>	<b>6.3</b>	<b>0.8</b>	<b>0.8</b>	<b>21.1</b>	<b>20.0</b>	<b>8.7</b>	<b>8.1</b>
		Median	<b>19.6</b>	<b>12.0</b>	<b>12.6</b>	<b>9.3</b>	<b>6.4</b>	<b>6.0</b>	<b>0.6</b>	<b>0.5</b>	<b>18.5</b>	<b>19.1</b>	<b>7.7</b>	<b>7.1</b>
<b>PeopleIn</b>	330	413	13.4	12.0	9.3	11.2	9.3	6.3	0.5	0.3	18.2	21.4	10.4	7.0

Source: Ord Minnett Research, Bloomberg

## Overview

- PeopleIn is a workforce solutions company, providing services to over 3,600 (from 3,500) clients across the public and private sectors. PeopleIn operates in four key segments including health and community services, industrial services, food/agri, specialist services and information technology. Services include sourcing, skilling, deployment and management of workforce staff, with a balance of permanent placement and contracting. Since listing in 2017, 14 new brands have been added to the portfolio and the company is on track for over 8.0 million hours of worked billed in FY22e. PeopleIn employs over 550 staff and has a national presence.

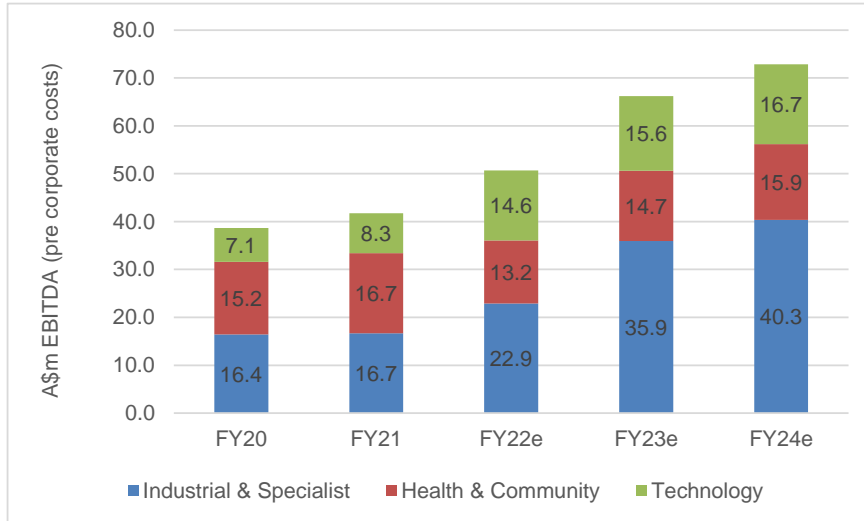
## Investment thesis

- We are attracted to PeopleIn’s exposure to entrenched and growing segments of the employment market, including healthcare, community and technology. Each of these segments is forecast to grow by a multiple of GDP growth between 2020 and 2025, driven by supportive thematic and demographic change. PPE’s acquisition strategy since listing has delivered ~10% organic earnings growth since the time of acquisition. Acquired brands have typically broadened the service offering and geographical spread and added to the stickiness of the broader group in retaining and expanding panel-based work. We see PPE’s return on equity and higher forecast free cash flows as evidence that the acquisition strategy is delivering returns above the cost of capital.

## Key metrics

- Improving industry diversity is a key feature of PPE’s earnings profile.

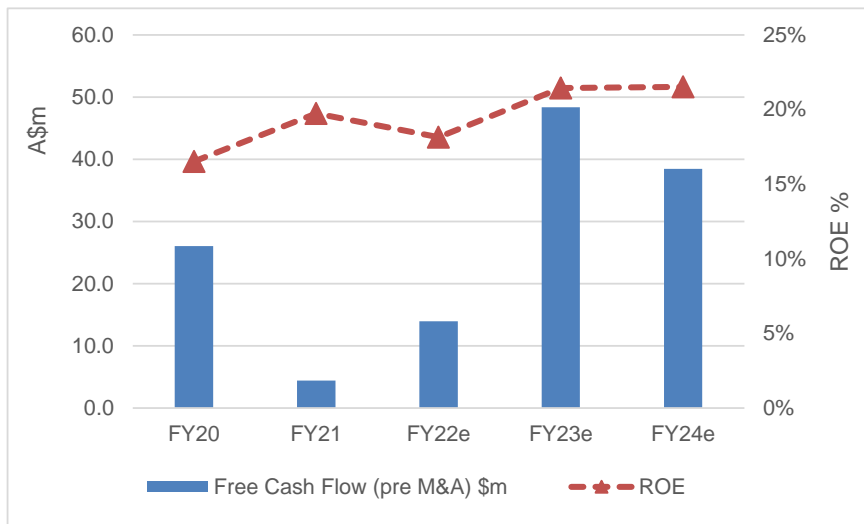
Figure 4: EBITDA by segment



Source: Ord Minnett Research

- Although impacted by acquisition payments, we expect PPE’s free cash flow generation to grow. ROE of ~20% is maintainable in our view.

Figure 5: Free cash flow vs ROE



Source: Ord Minnett Research

## About FIP Group Holdings

- Food Industry People Group was founded in 2006 and has grown to an Australian wide end-to-end staffing solutions business. FIP's offering includes permanent, temporary, volume, and RSO/MSP recruitment, as well as managed workforce and payroll services. Headquartered in Brisbane, FIP is the national leader in workforce solutions under the PALM scheme, supplying ~4,500 workers to the food and agricultural sector. FIP is led by Brad Seagrott (CEO), Rachel Carrol (CFO), and Simon Small (Executive Chairman).

## Key risks

- **A change in employment conditions:** PPE's core business relies on the ongoing demand for labour, any change in conditions that affect this could have an adverse impact on revenue. This includes a reversal in the trend towards workforce casualisation and any event which causes a fall in economic activity.
- **Margin pressure:** Wage pressure within PPE contractors has potential to impact profit margins in the short term until rate cards can be adjusted to reflect the new costs. We note PPE's track record in growing EBITDA margins from 6.7% in FY19 to 8.3% in FY21.
- **Regulatory risk:** Due to the focus of the company's operations being in comparatively more unionised and politically exposed sectors, there is a risk of industrial action impacting on PPE's operations. Changes to government regulations, could also have an adverse impact on the business.
- **Cash Flow conversion:** The conversion from EBITDA to operating cash flow during FY21 was 21%, constrained by acquisition integration and working capital movements. Variation between debtor days and creditor days has potential to impact cash flow conversion, particularly in periods following M&A activity.

**PeopleIn Limited**

<b>PROFIT &amp; LOSS (A\$m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Revenue	374.2	444.4	678.6	979.6	1,083.0
Operating costs	(346.0)	(407.5)	(634.0)	(919.2)	(1,016.1)
<b>Operating EBITDA</b>	<b>28.2</b>	<b>36.9</b>	<b>44.6</b>	<b>60.4</b>	<b>66.8</b>
D&A	(3.1)	(3.1)	(5.0)	(6.3)	(6.7)
<b>EBIT</b>	<b>25.1</b>	<b>33.9</b>	<b>39.5</b>	<b>54.1</b>	<b>60.1</b>
Net interest	(2.3)	(1.5)	(2.4)	(3.0)	(2.1)
<b>Pre-tax profit</b>	<b>22.8</b>	<b>32.3</b>	<b>37.1</b>	<b>51.1</b>	<b>58.0</b>
Net tax (expense) / benefit	(6.9)	(9.7)	(11.1)	(15.3)	(17.4)
<b>Normalised NPAT</b>	<b>16.0</b>	<b>22.6</b>	<b>26.0</b>	<b>35.8</b>	<b>40.6</b>
<b>Reported NPAT</b>	<b>16.4</b>	<b>17.7</b>	<b>18.4</b>	<b>30.6</b>	<b>35.4</b>
Normalised dil. EPS (cps)	21.1	24.7	27.5	35.6	40.1
Reported EPS (cps)	21.6	19.3	19.4	30.4	35.0
Effective tax rate (%)	28.4	28.4	28.4	28.4	28.4
DPS (cps)	8.5	10.5	12.5	13.5	14.5
Dividend yield (%)	2.6	3.2	3.8	4.1	4.4
Payout ratio (%)	40.4	42.6	45.4	38.0	36.1
Franking (%)	100.0	100.0	100.0	100.0	100.0
Diluted # of shares (m)	80.2	95.8	102.1	103.3	103.3

<b>CASH FLOW (A\$m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
EBITDA incl. adjustments	28.2	37.0	48.6	60.4	66.8
Change in working capital	8.3	(31.9)	(13.5)	10.1	(4.8)
Net Interest (paid)/received	(2.3)	(1.5)	(2.4)	(3.0)	(2.1)
Income tax paid	(7.1)	(11.2)	(7.9)	(13.1)	(15.2)
Other operating items	(0.0)	15.3	(4.8)	-	-
<b>Operating Cash Flow</b>	<b>27.1</b>	<b>7.6</b>	<b>20.0</b>	<b>54.5</b>	<b>44.7</b>
Capex	(1.1)	(1.3)	(3.0)	(3.0)	(3.0)
Acquisitions	(12.3)	(22.0)	(57.6)	-	-
Other investing items	-	0.0	(7.8)	(5.1)	(3.6)
<b>Investing Cash Flow</b>	<b>(13.5)</b>	<b>(23.3)</b>	<b>(68.3)</b>	<b>(8.1)</b>	<b>(6.6)</b>
Inc/(Dec) in borrowings	(13.2)	6.2	55.0	(25.0)	(20.0)
Dividends paid	(5.2)	(7.1)	(9.6)	(11.8)	(13.6)
Other financing items	(1.9)	(1.9)	(3.0)	(3.1)	(3.2)
<b>Financing Cash Flow</b>	<b>(3.5)</b>	<b>(2.1)</b>	<b>42.4</b>	<b>(35.0)</b>	<b>(36.8)</b>
Net Inc/(Dec) in Cash	10.2	(17.7)	(6.0)	11.4	1.3

<b>BALANCE SHEET (A\$m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Cash	31.5	13.7	7.8	19.2	20.5
Receivables	41.2	76.0	111.6	126.1	139.4
Inventory	-	-	-	-	-
Other current assets	1.5	1.7	1.7	1.7	1.7
PP & E	6.2	9.1	16.7	16.1	15.5
Investments	-	-	-	-	-
Intangibles	87.5	116.9	173.3	171.4	167.7
Other non-current assets	-	-	-	-	-
<b>Total Assets</b>	<b>167.8</b>	<b>217.4</b>	<b>311.0</b>	<b>334.5</b>	<b>344.8</b>
Short term debt	5.7	18.3	18.3	18.3	18.3
Payables	30.8	33.7	55.8	80.5	89.0
Other current liabilities	6.7	14.7	14.7	14.7	14.7
Long term debt	20.9	28.6	71.7	46.7	26.7
Other non-current liabilities	6.9	7.4	7.4	7.4	7.4
<b>Total Liabilities</b>	<b>71.0</b>	<b>102.8</b>	<b>167.8</b>	<b>167.6</b>	<b>156.1</b>
<b>Total Equity</b>	<b>96.8</b>	<b>114.6</b>	<b>143.2</b>	<b>166.9</b>	<b>188.7</b>
Net debt (cash)	(4.8)	33.2	82.2	45.8	24.5

**Buy**

<b>DIVISIONS</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>KEY METRICS (%)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Revenue growth	34.0	18.7	52.7	44.4	10.5
EBITDA growth	50.2	30.9	20.8	35.5	10.5
EBIT growth	56.5	34.7	16.8	36.9	11.1
Normalised EPS growth	66.3	17.2	11.5	29.2	12.8
EBITDA margin	7.5	8.3	6.6	6.2	6.2
EBIT margin	6.7	7.6	5.8	5.5	5.6
Return on assets	11.4	12.6	10.7	12.0	12.7
Return on equity	19.4	21.4	20.2	23.1	22.8

<b>VALUATION RATIOS (x)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Reported P/E	15.3	17.1	17.0	10.9	9.4
Normalised P/E	15.7	13.4	12.0	9.3	8.2
Price To Free Cash Flow	9.6	68.3	22.3	6.9	8.7
Price To NTA	31.8	-	-	-	15.9
EV / EBITDA	10.3	9.2	9.2	6.3	5.4
EV / EBIT	11.6	10.0	10.4	7.0	6.0

<b>LEVERAGE</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
ND / (ND + Equity) (%)	(5.3)	22.5	36.5	21.5	11.5
Net Debt / EBITDA (%)	(17.2)	90.1	184.4	75.8	36.7
EBIT Interest Cover (x)	11.0	21.9	16.5	18.0	28.6
EBITDA Interest Cover (x)	12.3	23.8	18.6	20.1	31.8

<b>SUBSTANTIAL HOLDERS</b>	<b>m</b>	<b>%</b>
Declan Sherman	7.2	11.2%
Perennial Value	6.1	9.5%
AP Brosnan Trust	6.1	9.4%

<b>VALUATION</b>	
Cost of Equity (%)	11.0
Cost of debt (after tax) (%)	3.5
D / EV (%)	(11.8)
<b>WACC (%)</b>	<b>10.1</b>

Forecast cash flow (\$m)	201.6
Terminal value (\$m)	344.3
Enterprise Value (\$m)	545.9
<b>Equity NPV Per Share (\$)</b>	<b>4.59</b>

Target Price Method	DCF
Target Price (\$)	4.59
Valuation disc. / (prem.) to share price (%)	39.1

Institutional Research			
Malcolm Wood	Head of Institutional Research	+61 2 8216 6777	mwood@ords.com.au
Nicolas Burgess	Senior Research Analyst	+61 3 9602 9379	nburgess@ords.com.au
James Casey	Senior Research Analyst	+61 3 9602 9265	jamescasey@ords.com.au
Phillip Chippindale	Senior Research Analyst	+61 2 8216 6346	pchippindale@ords.com.au
Paul Kaner	Senior Research Analyst	+61 3 9608 4124	pkaner@ords.com.au
Dylan Kelly	Senior Research Analyst	+61 2 8216 6417	dkelly@ords.com.au
Luke Macnab	Senior Research Analyst	+61 2 8216 6776	lmacnab@ords.com.au
Ian Munro	Senior Research Analyst	+61 3 9608 4127	ian.munro@ords.com.au
John O'Shea	Senior Research Analyst	+61 3 9608 4146	joshea@ords.com.au
Leanne Truong	Senior Research Analyst	+61 2 8216 6367	ltruong@ords.com.au
Rushil Paiva	Research Analyst	+61 3 9608 4155	rpaiva@ords.com.au
Jack Dunn	Research Associate	+61 3 9608 4117	jdunn@ords.com.au
Milo Ferris	Research Associate	+61 2 8216 6691	mferris@ords.com.au
Dylan Jones	Research Associate	+61 3 9608 4104	djones@ords.com.au
William Thurlow	Research Associate	+61 2 8216 6623	wthurlow@ords.com.au
Benjamin Yun	Research Associate	+61 2 8216 6646	byun@ords.com.au

Institutional Sales (Australia)			
Angus Esslemont	Head of Institutional Equities	+61 2 8216 6363	aesslemont@ords.com.au
Jim Bromley	Institutional Equities Sales	+61 2 8216 6343	jbromley@ords.com.au
Ashley Cox	Institutional Equities Sales	+61 2 4910 2413	acox@ords.com.au
Stephen Jolly	Institutional Equities Sales	+61 2 8216 6424	sjolly@ords.com.au
Chris McDermott	Institutional Equities Sales	+61 2 8216 6335	cmcdermott@ords.com.au
Isaac Morris	Institutional Equities Sales	+61 2 8216 6370	imorris@ords.com.au
Scott Ramsay	Institutional Equities Sales	+61 3 9608 4100	sramsay@ords.com.au
Matt White	Institutional Equities Sales	+61 3 9608 4133	mwhite@ords.com.au
Zac Whitehead	Institutional Equities Sales	+61 2 8216 6350	zwhitehead@ords.com.au
Brendan Sweeney	Operator	+61 2 8216 6781	bsweeney@ords.com.au

Institutional Sales (Hong Kong)			
Chris Moore	Institutional Equities Sales	+61 2 8216 6362	cmoore@ords.com.hk

**Ord Minnett Offices**

**Adelaide**  
 Level 5  
 100 Pirie Street  
 Adelaide SA 5000  
 Tel: (08) 8203 2500  
 Fax: (08) 8203 2525

**Canberra**  
 101 Northbourne Avenue  
 Canberra ACT 2600  
 Tel: (02) 6206 1700  
 Fax: (02) 6206 1720

**Mackay**  
 45 Gordon Street  
 Mackay QLD 4740  
 Tel: (07) 4969 4888  
 Fax: (07) 4969 4800

**Newcastle**  
 426 King Street  
 Newcastle NSW 2300  
 Tel: (02) 4910 2400  
 Fax: (02) 4910 2424

**Head Office  
 Sydney**  
 Level 18, Grosvenor Place  
 225 George Street  
 Sydney NSW 2000  
 Tel: (02) 8216 6300  
 Fax: (02) 8216 6311  
 www.ords.com.au

**Brisbane**  
 Level 31  
 10 Eagle Street  
 Brisbane QLD 4000  
 Tel: (07) 3214 5555  
 Fax: (07) 3214 5550

**Gold Coast**  
 Level 7  
 50 Appel Street  
 Surfers Paradise QLD 4217  
 Tel: (07) 5557 3333  
 Fax: (07) 5557 3377

**Melbourne**  
 Level 22  
 35 Collins Street  
 Melbourne VIC 3000  
 Tel: (03) 9608 4111  
 Fax: (03) 9608 4142

**Perth**  
 Level 27  
 108 St Georges Terrace  
 Perth WA 6000  
 Tel: (02) 4910 2400  
 Fax: (02) 4910 2424

**Buderim (Sunshine Coast)**  
 1/99 Burnett Street  
 Buderim QLD 4556  
 Tel: (07) 5430 4444  
 Fax: (07) 5430 4400

**Hobart**  
 Level 3  
 85 Macquarie Street  
 Hobart TAS 7000  
 Tel: (03) 6161 9300

**International  
 Hong Kong**  
 1801 Ruttonjee House  
 11 Duddell Street  
 Central, Hong Kong  
 Tel: +852 2912 8980  
 Fax: +852 2813 7212  
 www.ords.com.hk



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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.

<b>SPECULATIVE BUY</b>	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.
<b>BUY</b>	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
<b>ACCUMULATE</b>	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.
<b>HOLD</b>	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
<b>LIGHTEN</b>	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
<b>SELL</b>	We expect the total return to lose 15% or more.
<b>RISK ASSESSMENT</b>	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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