

# PeopleIn Limited

## Marching on

PeopleIn reported first half EBITDA marginally ahead of expectations and re-affirmed full year earnings guidance. Organic growth was a key feature of the result, with underlying earnings growing by c12% on a like-for-like basis. An improved performance in the health and industrial segments underpinned organic growth, assisted by higher wages and buoyant demand for employees across the verticals. Growth in the recent acquisitions - Food Industry People (FIP) and Perigon - helped to offset isolated softness in the technology franchise. Improving diversity by sector, customer type and region is producing a more consistent earnings trajectory and our EBITDA forecasts remain at the top end of the FY23e guidance range. Although job vacancy levels have declined from highs in late 2022, demand remains significantly above historical averages, supporting the near-term outlook. Three non-cash P&L items missed our expectations and as result our EPS-A forecasts are revised downwards by 5% for FY23e. The balance sheet continues to improve, with a forecast net debt/EBITDA balance of 1.1x for FY23e (from 1.6x in FY22). The outlook for free cash flows and ROE is positive into FY24e. With a proven track record of acquiring in growth industries and extracting organic growth within acquisitions, we see 9x forward PER as an attractive entry point. We maintain a BUY recommendation.

### Strategic review is on-going

- PPE's wide ranging strategic review is on-going. We expect the company to continue to drive competitive advantage deeper into existing verticals, extracting a higher share of cross-selling opportunities in the process.

### FIP acquisition is tracking to plan

- The FIP acquisition is on-track to generate FY23e EBITDA 10%+ above the initial \$9.5m target at the time of acquisition. Operating margins were below expectations for the first 6 months of ownership.

### BUY recommendation, \$4.39 price target

- PPE trades on a material discount to international peers and we see share price upside as the company continues to generate organic growth.

Year-end June (\$)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (\$m)	444.4	682.3	1,221.5	1,294.6	1,367.9
EBITDA (\$m)	36.9	43.8	62.2	68.0	71.5
EBIT (\$m)	33.9	38.8	53.9	58.9	61.8
Reported NPAT (\$m)	17.7	18.4	28.4	32.0	34.5
Reported EPS (c)	19.3	19.4	28.5	31.8	34.3
Normalised NPAT (\$m)	22.6	25.7	33.5	37.5	40.0
Normalised EPS (c)	24.7	27.0	33.6	37.3	39.8
EPS Growth (%)	17.2	9.4	24.5	10.8	6.7
Dividend (c)	10.5	13.0	14.0	15.0	16.0
Net Yield (%)	3.4	4.2	4.6	4.9	5.2
Franking (%)	100	100	100	100	100
EV/EBITDA (X)	8.6	8.5	6.0	5.3	4.8
Normalised P/E (x)	12.4	11.3	9.1	8.2	7.7
Normalised ROE (%)	21.4	20.0	21.6	21.2	20.4

Source: OML, Iress, PeopleIn Limited

### Last Price

**A\$3.06**

### Target Price

**A\$4.39** (Previously A\$4.52)

### Recommendation

**Buy**

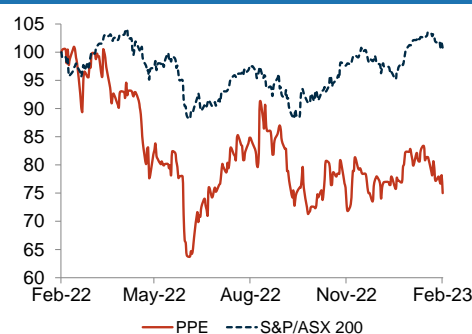
### Risk

**Higher**

### Human Resource and Employment Service

ASX Code	PPE
52 Week Range (\$)	2.60 - 4.12
Market Cap (\$m)	309.4
Shares Outstanding (m)	101.1
Av Daily Turnover (\$m)	1.5
3 Month Total Return (%)	2.7
12 Month Total Return (%)	-25.0
Benchmark 12 Month Return (%)	0.7
NTA FY23E (¢ per share)	-49.4
Net Debt FY23E (\$m)	67.8

### Relative Price Performance



Source: FactSet

### Consensus Earnings

	FY23E	FY24E
NPAT (C) (\$m)	33.7	37.7
NPAT (OM) (\$m)	33.5	37.5
EPS (C) (c)	35.3	39.1
EPS (OM) (c)	33.6	37.3

Source: OML, Iress, PeopleIn Limited

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## Result versus expectations

- **Adjusted EBITDA:** \$32.5m +51% beat our expectations by 2%. Revenue beat strongly due to margin mix assumptions with respect to the FIP acquisition.
- **Adjusted NPATA:** \$16.1m +14% missed expectations by -5% with higher non-cash amortisation and share based payment expenses.
- **Operating Cash Flow:** \$19.5m +75%, beat our expectations by 23% with a high conversion ratio and tight working capital management.
- **Balance sheet:** Net debt (excluding leasing obligations) closed at \$71.5m, better than expectations; equating to 1.1x net debt/adjusted EBITDA.

Figure 1: 1H23e headline EBITDA beats by 2%

PeopleIn (PPE)	actual	actual	actual	actual	forecast	forecast	FY vs. FY	Ords	beat (miss)
<i>HY 31 Dec / YE 30 June</i>	1H22	2H22	FY22	1H23	2H23e	FY23e	%	1H23e	%
<b>revenue- segments \$m</b>									
Industrial & Specialist	190.3	224.7	415.0	434.1	473.0	<b>907.1</b>	119%	<b>335.1</b>	30%
Health & Community	71.5	67.6	139.2	77.1	78.6	<b>155.7</b>	12%	<b>70.2</b>	10%
Technology	54.0	74.2	128.2	85.4	73.2	<b>158.6</b>	24%	<b>73.5</b>	16%
other	0.3	-0.3	0.0	0.7	-0.7	0.0	0%	<b>0.0</b>	na
revenue- total	316.1	366.2	682.3	597.3	624.2	<b>1221.5</b>	79%	<b>478.8</b>	25%
<b>EBITDA- segments \$m</b>									
Industrial & Specialist	9.9	11.7	21.6	20.7	20.6	<b>41.3</b>	91%	<b>17.6</b>	17%
Health & Community	6.3	5.6	12.0	5.7	6.7	<b>12.5</b>	4%	<b>6.3</b>	-9%
Technology	7.3	10.4	17.6	8.2	8.0	<b>16.2</b>	-8%	<b>10.2</b>	-19%
corporate costs (ex abnormals)	-1.9	-2.2	-4.1	-2.1	-2.6	<b>-4.7</b>	16%	<b>-2.4</b>	-10%
<b>EBITDA - pre SBP "PPE"</b>	<b>21.6</b>	<b>25.6</b>	<b>47.2</b>	<b>32.5</b>	<b>32.8</b>	<b>65.3</b>	38%	<b>31.8</b>	2%
share based payments	-1.4	-1.9	-3.3	-2.6	-0.5	<b>-3.1</b>	-8%	<b>-1.8</b>	46%
<b>EBITDA- underlying "OML"</b>	<b>20.2</b>	<b>23.7</b>	<b>43.8</b>	<b>29.9</b>	<b>32.3</b>	<b>62.2</b>	42%	<b>30.0</b>	0%
EBITDA margins	6.8%	7.0%	6.9%	5.4%	5.3%	5.3%	-1.6%	<b>6.6%</b>	-1%
<b>Key P&amp;L metrics \$m</b>									
D&A- underlying	-2.2	-2.8	-5.0	-4.1	-4.2	<b>-8.4</b>	66%	<b>-3.2</b>	31%
EBIT	17.9	20.9	38.8	25.8	28.0	<b>53.9</b>	39%	<b>26.9</b>	-4%
Net Interest	-1.0	-1.1	-2.1	-2.8	-3.2	<b>-6.0</b>	178%	<b>-2.6</b>	6%
NPATA - underlying OML**	11.8	13.8	25.7	16.1	17.4	<b>33.5</b>	31%	<b>17.0</b>	-5%
EPS (cents): underlying EPS-A**	12.6	14.4	27.0	16.1	17.5	<b>33.6</b>	25%	<b>17.0</b>	-6%
Contract amortisation-reported	-2.8	-3.3	-6.1	-4.0	-3.8	<b>-7.8</b>	29%	<b>-4.7</b>	-15%
abnormals pre-tax	-5.6	2.6	-3.0	0.9	-0.4	<b>0.5</b>	-117%	<b>0.0</b>	0%
NPAT- statutory	4.3	14.1	18.4	14.4	14.0	<b>28.4</b>	54%	<b>13.7</b>	5%
Dividend (cents)	6.5	6.5	13.0	7.0	7.0	<b>14.0</b>	8%	<b>7.5</b>	-7%
payout % cash NPAT	52%	45%	48%	44%	40%	<b>42%</b>	-14%	<b>44%</b>	-1%
<b>Key metrics \$m</b>									
operating cash flow	11.1	10.9	22.0	19.5	20.9	<b>40.4</b>	84%	<b>15.9</b>	23%
Net capex (incl M&A)	-8.9	-49.0	-57.9	-13.7	-10.8	<b>-24.5</b>	-58%	<b>-9.2</b>	49%
free cash flow	2.2	-38.1	-35.9	5.8	10.1	<b>16.0</b>	-145%	<b>6.7</b>	-13%
net debt (cash)	39.0	71.4	71.4	71.5	67.8	<b>67.8</b>	-5%	<b>85.8</b>	-17%
ROE %	16.9%	20.0%	20.0%	19.5%	21.6%	<b>21.6%</b>	8%	<b>20.5%</b>	-1%

\*\*Ords NPAT and EPS-A excludes only customer contract amortisation on a tax adjusted basis

Source Ord Minnett Limited Research

## Key takeaways

- **Re-affirming guidance:** EBITDA is tracking to the upper end of the guidance range which is consistent with Ords forecasts. Higher capex and non-cash expenses mean that our FY23e NPATA and EPS-A forecasts reduce by 5%.
- **Improving earnings quality:** PPE's strategy centred around cross-selling, upskilling and investing into growth markets is showing up in the 10%+ organic growth performance during the half.
- **The FIP acquisition is contributing well:** The key \$45m+ Food Industry People acquisition combined with Perigon contributed \$8.3m EBITDA for the half; running in line with our FY23e run-rate expectations. EBITDA margins <3% within the FIP acquisition were lower than expected.
- **Strategic review is on-going and broadening:** PPE's strategic review into options to unlock value for shareholders is on-going and has a wide remit including further refinement of the existing corporate strategy.

## Forecast changes

Figure 2: FY23e EPS-A reduces by 5%

	FY23e			FY24e			FY25e		
	old	new	change %	old	new	change %	old	new	change %
<b>revenue- segments \$m</b>									
Industrial & Specialist*	684	907	33%	758	968	28%	797	1030	29%
Health & Community*	146	156	6%	152	162	6%	158	168	6%
Technology*	147	159	8%	153	165	8%	157	170	8%
<b>revenue- total</b>	<b>977</b>	<b>1221</b>	<b>25%</b>	<b>1063</b>	<b>1295</b>	<b>22%</b>	<b>1112</b>	<b>1368</b>	<b>23%</b>
<b>EBITDA- segments \$m</b>									
Industrial & Specialist*	36.5	41.3	13%	39.5	45.1	14%	42.1	47.5	13%
Health & Community*	13.2	12.5	-5%	13.7	13.8	1%	14.7	14.8	1%
Technology*	20.4	16.2	-20%	21.2	17.4	-18%	21.8	17.9	-18%
unallocated	-4.7	-4.7	0%	-5.2	-5.2	0%	-5.7	-5.7	0%
<b>EBITDA - pre SBP "PPE"</b>	<b>65.3</b>	<b>65.3</b>	<b>0%</b>	<b>69.2</b>	<b>71.1</b>	<b>3%</b>	<b>72.9</b>	<b>74.6</b>	<b>2%</b>
share based payments	-3.5	-3.1	-13%	-2.0	-3.1	55%	-2.0	-3.1	55%
<b>EBITDA- underlying</b>	<b>61.8</b>	<b>62.2</b>	<b>1%</b>	<b>67.2</b>	<b>68.0</b>	<b>1%</b>	<b>70.9</b>	<b>71.5</b>	<b>1%</b>
EBITDA margin %	6.7%	5.3%	-20%	6.5%	5.5%	-16%	6.6%	5.5%	-17%
<b>Key P&amp;L metrics \$m</b>									
D&A- underlying	-6.3	-8.4	-33%	-6.8	-9.1	-33%	-7.3	-9.7	-32%
EBITA	55.9	55.2	-1%	60.8	60.7	0%	64.0	63.9	0%
EBIT	55.5	53.9	-3%	60.4	58.9	-2%	63.6	61.8	-3%
net interest	-5.3	-6.0	-14%	-4.8	-5.4	-14%	-4.1	-4.7	-14%
PBT - underlying	50.3	47.9	-5%	55.6	53.5	-4%	59.4	57.1	-4%
NPATA - underlying**	35.2	33.5	-5%	39.0	37.5	-4%	41.6	40.0	-4%
EPS (cents): EPS-A**	35.3	33.6	-5%	38.7	37.3	-4%	41.4	39.8	-4%
D&A - reported	-15.7	-16.2	-3%	-16.2	-16.9	-4%	-16.8	-17.5	-4%
Amortisation - abnormal	-7.0	-7.8	-12%	-7.0	-7.8	-12%	-7.0	-7.8	-12%
Abnormals - pre-tax	0.0	0.5	0%	0.0	0.0	na	0.0	0.0	na
reported NPAT	28.6	28.4	-1%	32.4	32.0	-1%	35.0	34.5	-1%
dividend (cents)	15.0	14.0	-7%	16.5	15.0	-9%	17.5	16.0	-9%
payout % cash EPS	42%	42%	-1%	43%	40%	-2%	42%	40%	-2%
<b>Key metrics \$m</b>									
operating cash flow	28.6	40.4	41%	42.3	52.4	24%	48.1	48.8	1%
net capex & leases	-10.2	-14.7	-44%	-10.4	-10.7	-3%	-8.7	-10.0	-15%
acquisitions (incl earn outs)	-9.8	-9.8	0%	-12.6	-12.6	0%	-5.5	-5.5	0%
free cash flow (post tax)	8.7	16.0	85%	19.3	29.1	51%	34.0	33.3	-2%
net debt (cash)	75.1	67.8	-10%	70.8	52.6	-26%	53.4	34.3	-36%
Net debt/EBITDA	1.2x	1.1x	-10%	1.1x	0.8x	-27%	0.8x	0.5x	-36%
ROE %	23%	22%	-5%	22%	21%	-4%	21%	20%	-4%
EV/EBITDA x	6.7	6.1	-10%	6.1	5.3	-13%	5.6	4.8	-14%
EV/EBIT x	7.5	7.0	-7%	6.8	6.1	-10%	6.2	5.5	-11%
<b>P/E x</b>	<b>9.6</b>	<b>9.1</b>	<b>-5%</b>	<b>8.8</b>	<b>8.2</b>	<b>-6%</b>	<b>8.2</b>	<b>7.7</b>	<b>-6%</b>

\*\*Ords NPAT and EPS-A excludes only customer contract amortisation and tax adjusts for this.

Source Ord Minnett Limited Research

## Valuation

### Price target \$4.39 per share, BUY recommendation

- We value PPE adopting a DCF methodology with a weighted average cost of capital of 11.2% (from 10.7%), cost of equity of 12.8% (from 12.4%) and terminal growth rate of 3% (no change). Revised DCF valuation is \$4.39 per share (previous \$4.52 per share).
- PPE trades on a price/earnings ratio of 9.1x and an EV/EBIT ratio of 7.0x in FY23e. These represent a -38% and -27% discount to the peer set respectively. We note that PPE has cash and scrip earn out's pending for recent acquisitions. The peer set is currently trading at a -35% discount to its 5-year average price/earnings ratio of 21.3x. PPE is currently trading on a -47% discount versus its 5-year P/E average of 17.2x.

Figure 3: Relative valuation

Code	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 AU Equity	APM Group	2247	2770	na	13.0	13.5	na	9.1	7.6	2.0	1.5	14.2	10.6	12.8	12.0	
6569 JP Equity	Nisso Corp	239	172	12.5	13.2	14.2	na	6.1	na	0.2	0.2	12.2	11.5	7.3	7.5	
4763 JP Equity	Creek & River Co Ltd	568	479	35.1	23.0	19.5	na	na	na	1.1	1.0	19.7	19.8	12.7	11.0	
2181 JP Equity	Persol Holdings Co	7,145	6,826	39.7	22.2	19.8	15.3	9.3	8.9	0.6	0.5	17.3	17.1	12.7	11.5	
2181 JP Equity	JAC Recruitment	7,145	6,826	39.7	22.2	19.8	15.3	9.3	8.9	0.6	0.5	17.3	17.1	12.7	11.5	
2475 JP Equity	WDB Holdings Co	440	268	14.8	9.5	11.7	na	na	na	0.5	0.5	16.8	na	3.9	4.7	
HAS LN Equity	Hays PLC	3,487	3,291	37.7	14.5	15.0	11.7	6.7	7.1	0.3	0.3	17.6	18.4	8.9	9.2	
PAGE LN Equity	Page Group	2,623	2,562	12.5	10.5	15.2	6.7	5.8	7.2	0.7	0.8	40.0	28.5	7.5	10.8	
STEM LN Equity	Sihree PLC	1,031	974	14.8	11.1	10.7	7.7	6.1	5.5	0.4	0.3	29.2	25.4	7.3	6.9	
RWA LN Equity	Robert Walters	709	679	12.6	9.7	10.1	5.3	5.0	4.9	0.3	0.3	23.4	20.3	6.6	6.8	
KFY US Equity	Korn Ferry	4,354	3,963	24.5	9.2	11.7	9.5	4.8	5.7	1.1	1.0	na	na	6.0	7.4	
AMN US Equity	AMN Healthcare Services	6,174	7,342	12.7	8.5	11.8	8.1	6.0	7.8	1.0	1.2	38.1	20.4	7.4	10.4	
KFY US Equity	Kforce Inc	4,354	3,963	24.5	9.2	11.7	9.5	4.8	5.7	1.1	1.0	na	na	6.0	7.4	
BRNL NA Equity	Brunel International NV	889	912	20.7	15.9	13.7	9.2	7.5	6.7	0.5	0.5	12.2	13.5	10.3	8.9	
6098 JP Equity	Recruit Holdings	71,013	64,912	48.9	21.0	21.0	23.9	12.5	11.6	2.1	1.7	25.6	19.6	15.1	15.4	
AAD GR Equity	Amadeus Fire AG	1,111	1,256	17.7	17.1	16.3	9.2	8.7	8.6	2.0	1.9	24.7	21.0	12.5	12.2	
				Average	24.6	14.4	14.7	10.9	7.3	7.4	0.9	0.8	22.0	18.7	9.4	9.6
				Median	20.7	13.1	13.9	9.4	6.1	7.2	0.6	0.5	19.7	19.7	7.5	9.2
PPE AU Equity	PeopleIn	307	376	12.4	11.3	9.1	10.1	8.5	6.0	0.5	0.3	18.0	19.9	9.6	7.0	

Source: Ord Minnett Research and Bloomberg

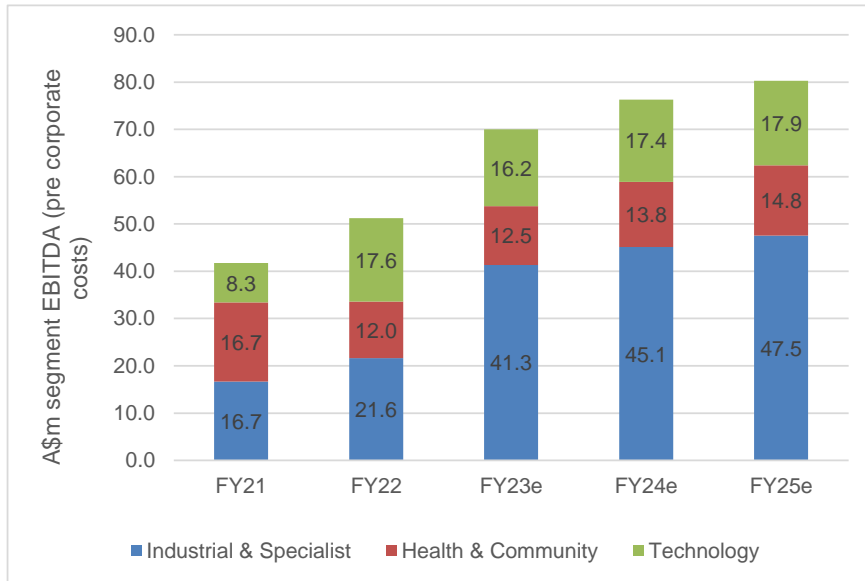
## Investment thesis

- 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 2021 and 2026, driven by supportive thematics and demographic change. PPE's acquisition strategy since listing has taken the brand portfolio to 26 in total whilst still delivering ~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 post acquisition integration.

### Key metrics

- Improving earnings diversity by industry segment is a key feature of PPE's investment case.

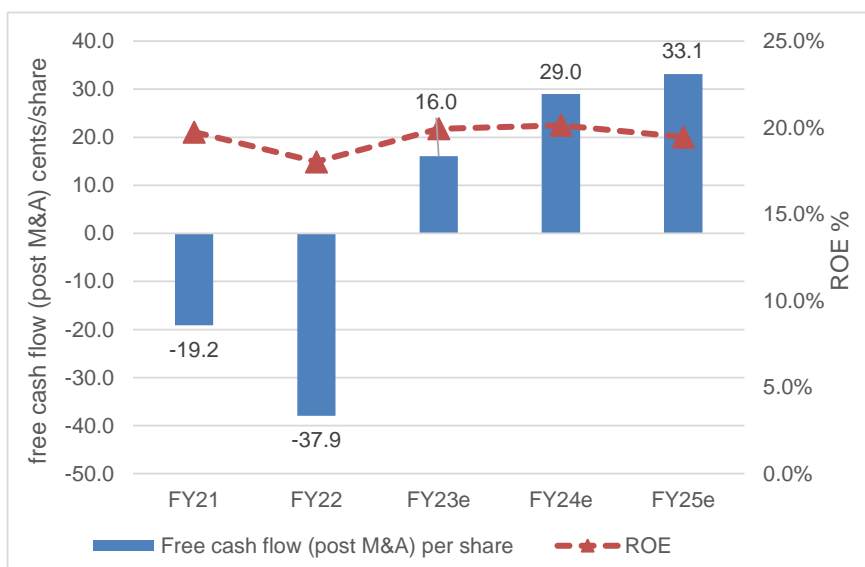
Figure 4: EBITDA by segment



Source: Ord Minnett Research and company reports

- Free cash flow forecasts are impacted by acquisition earn-out payments. We expect PPE's free cash flow generation to grow into FY23e and then again into FY24e. ROE of ~20% is maintainable in our view.

Figure 5: Free cash flow vs return on equity



Source: Ord Minnett Research and company reports

## Overview

- PeopleIn is a workforce solutions company, providing services to over 4,000 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 the network has grown to 26 market facing brands and the company provides payroll for 10,000-15,000 candidates every week. PeopleIn employs over 850 internal staff and has a national presence.

## 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 and material rise in unemployment.
- **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 PPE's operations. Changes to government regulations and/or conditions relating to the PALM scheme could also have an adverse impact on the business. We note that the more regulated environment also supports the business model, given the barriers to entry in compliance, panel positions, systems and scale.
- **Margin management:** First half EBITDA margins reduced to 5.4% (from 6.8%), with a full 6-month contribution of the lower-margin FIP acquisition. Stabilising and growing margins within the FIP business remains a key sensitivity to the earnings outlook.
- **Cash Flow conversion:** The conversion from EBITDA to operating cash flow during FY21 was 21%, constrained by acquisition integration and working capital movements. FY22 conversion was 67% which we see as being closer to a normalised ratio. 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>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Revenue	444.4	682.3	1,221.5	1,294.6	1,367.9
Operating costs	(407.5)	(638.5)	(1,159.2)	(1,226.6)	(1,296.4)
<b>Operating EBITDA</b>	<b>36.9</b>	<b>43.8</b>	<b>62.2</b>	<b>68.0</b>	<b>71.5</b>
D&A	(3.1)	(5.0)	(8.4)	(9.1)	(9.7)
<b>EBIT</b>	<b>33.9</b>	<b>38.8</b>	<b>53.9</b>	<b>58.9</b>	<b>61.8</b>
Net interest	(1.5)	(2.1)	(6.0)	(5.4)	(4.7)
<b>Pre-tax profit</b>	<b>32.3</b>	<b>36.7</b>	<b>47.9</b>	<b>53.5</b>	<b>57.1</b>
Net tax (expense) / benefit	(9.7)	(11.0)	(14.4)	(16.1)	(17.1)
<b>Normalised NPAT</b>	<b>22.6</b>	<b>25.7</b>	<b>33.5</b>	<b>37.5</b>	<b>40.0</b>
<b>Reported NPAT</b>	<b>17.7</b>	<b>18.4</b>	<b>28.4</b>	<b>32.0</b>	<b>34.5</b>
Normalised dil. EPS (cps)	24.7	27.0	33.6	37.3	39.8
Reported EPS (cps)	19.3	19.4	28.5	31.8	34.3
Effective tax rate (%)	28.4	28.4	28.4	28.4	28.4
DPS (cps)	10.5	13.0	14.0	15.0	16.0
Dividend yield (%)	3.4	4.2	4.6	4.9	5.2
Payout ratio (%)	42.6	48.1	41.6	40.3	40.2
Franking (%)	100.0	100.0	100.0	100.0	100.0
Diluted # of shares (m)	95.8	101.1	102.9	102.9	102.9

<b>CASH FLOW (A\$m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EBITDA incl. adjustments	37.0	49.9	62.2	68.0	71.5
Change in working capital	(31.9)	(14.3)	(3.7)	3.5	(3.2)
Net Interest (paid)/received	(1.5)	(2.1)	(6.0)	(5.4)	(4.7)
Income tax paid	(11.2)	(13.9)	(12.2)	(13.7)	(14.8)
Other operating items	15.3	2.5	-	-	-
<b>Operating Cash Flow</b>	<b>7.6</b>	<b>22.0</b>	<b>40.4</b>	<b>52.4</b>	<b>48.8</b>
Capex	(1.3)	(4.5)	(9.2)	(5.0)	(4.0)
Acquisitions	(22.0)	(50.0)	-	-	-
Other investing items	0.0	0.0	(9.8)	(12.6)	(5.5)
<b>Investing Cash Flow</b>	<b>(23.3)</b>	<b>(54.3)</b>	<b>(19.0)</b>	<b>(17.6)</b>	<b>(9.5)</b>
Inc/(Dec) in borrowings	6.2	59.4	(10.0)	(10.0)	(15.0)
Dividends paid	(7.1)	(10.6)	(12.4)	(14.0)	(15.1)
Other financing items	(1.9)	(3.6)	(5.5)	(5.7)	(5.9)
<b>Financing Cash Flow</b>	<b>(2.1)</b>	<b>45.6</b>	<b>(27.9)</b>	<b>(29.7)</b>	<b>(36.0)</b>
Net Inc/(Dec) in Cash	(17.7)	13.2	(6.4)	5.2	3.3

<b>BALANCE SHEET (A\$m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Cash	13.7	27.0	20.6	25.8	29.0
Receivables	76.0	107.5	150.6	152.5	161.1
Inventory	-	-	-	-	-
Other current assets	1.7	12.2	12.2	12.2	12.2
PP & E	9.1	15.8	18.6	19.0	19.4
Investments	-	-	-	-	-
Intangibles	116.9	202.0	217.8	223.7	221.3
Other non-current assets	-	0.3	0.3	0.3	0.3
<b>Total Assets</b>	<b>217.4</b>	<b>364.8</b>	<b>420.0</b>	<b>433.5</b>	<b>443.3</b>
Short term debt	18.3	32.6	32.6	32.6	32.6
Payables	33.7	51.0	90.4	95.8	101.2
Other current liabilities	14.7	36.6	36.6	36.6	36.6
Long term debt	28.6	65.7	55.7	45.7	30.7
Other non-current liabilities	7.4	36.5	36.5	36.5	36.5
<b>Total Liabilities</b>	<b>102.8</b>	<b>222.4</b>	<b>251.8</b>	<b>247.3</b>	<b>237.7</b>
<b>Total Equity</b>	<b>114.6</b>	<b>142.3</b>	<b>168.1</b>	<b>186.2</b>	<b>205.6</b>
Net debt (cash)	33.2	71.4	67.8	52.6	34.3

**Buy**

<b>DIVISIONS</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>KEY METRICS (%)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Revenue growth	18.7	53.5	79.0	6.0	5.7
EBITDA growth	30.9	18.7	42.0	9.3	5.1
EBIT growth	34.7	14.6	38.8	9.4	4.9
Normalised EPS growth	17.2	9.4	24.5	10.8	6.7
EBITDA margin	8.3	6.4	5.1	5.3	5.2
EBIT margin	7.6	5.7	4.4	4.6	4.5
Return on assets	12.6	9.5	9.8	9.9	10.1
Return on equity	21.4	20.0	21.6	21.2	20.4

<b>VALUATION RATIOS (x)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Reported P/E	15.9	15.8	10.7	9.6	8.9
Normalised P/E	12.4	11.3	9.1	8.2	7.7
Price To Free Cash Flow	63.3	20.8	11.9	7.4	7.9
Price To NTA	-	-	-	-	-
EV / EBITDA	8.6	8.5	6.0	5.3	4.8
EV / EBIT	9.4	9.6	7.0	6.1	5.5

<b>LEVERAGE</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
ND / (ND + Equity) (%)	22.5	33.4	28.7	22.0	14.3
Net Debt / EBITDA (%)	90.1	162.8	108.9	77.3	48.0
EBIT Interest Cover (x)	21.9	18.1	9.0	10.9	13.2
EBITDA Interest Cover (x)	23.8	20.4	10.4	12.6	15.2

<b>VALUATION</b>	
Cost of Equity (%)	12.8
Cost of debt (after tax) (%)	4.0
D / EV (%)	(18.0)
<b>WACC (%)</b>	<b>11.2</b>
Forecast cash flow (\$m)	201.7
Terminal value (\$m)	267.5
Enterprise Value (\$m)	469.2
<b>Equity NPV Per Share (\$)</b>	<b>4.39</b>
Target Price Method	DCF
Target Price (\$)	4.39
Valuation disc. / (prem.) to share price (%)	43.5



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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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