

February 17, 2023

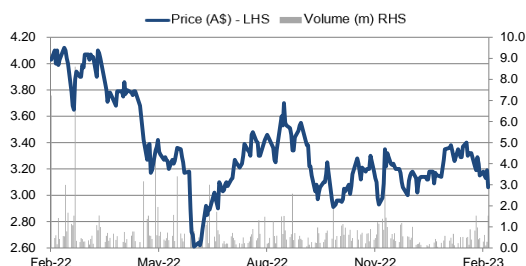
ADD (no change)

Stock code:	PPE AU
Price:	A\$3.06
12-month target price:	A\$4.90
Previous target price:	A\$4.70
Up/downside to target price:	60.1%
Dividend yield:	5.0%
12-month TSR*:	65.1%
Market cap:	A\$309m
Average daily turnover:	A\$0.6m
Index inclusion:	ALL ORDINARIES

* Total stock return – Up/downside to target price + 12-month forward dividend yield.

Price performance

(%)	1M	3M	12M	3Y
Absolute	-8.4	4.4	-25.0	-19.3
Rel ASX/S&P200	-8.7	0.6	-26.7	-23.4



Source: Bloomberg

Financial summary

	Jun-22A	Jun-23F	Jun-24F	Jun-25F
Revenue (A\$m)	682.3	1,223.9	1,368.8	1,480.3
EBITDA Norm (A\$m)	47.9	67.6	75.5	81.6
Net Profit (A\$m)	17.7	24.9	28.3	33.2
EPS Norm (A\$)	0.26	0.30	0.32	0.36
EPS Growth Norm (%)	20.3%	15.1%	6.6%	13.0%
P/E Norm (x)	11.8	10.2	9.6	8.5
DPS (A\$)	0.13	0.15	0.16	0.17
Dividend Yield (%)	4.2%	4.8%	5.1%	5.4%
EV/EBITDA (x)	7.9	5.6	5.0	4.4
Gearing (Net Debt/EBITDA)	1.49	1.10	0.92	0.65

Source: Company data, Morgans estimates

Related research
[PPE \(ADD - TP A\\$4.70\) - 19 Oct 2022](#)
[PPE \(ADD - TP A\\$4.90\) - 29 Aug 2022](#)
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Analyst(s) own shares in the following stocks mentioned in this report:

– N/A

PeopleIn

Reaffirming FY23 guidance and delivering growth

- PPE reported HY23 normalised EBITDA of \$32.5m, 5.2% above our forecast of \$30.9m, up 50% on the pcp. Normalised NPATA of \$20.8m, was 6.8% above our forecast, up 49% on the pcp. Whilst sales exceeded our expectations, this was primarily driven by the contributions from recently acquired lower margin businesses.
- We have increased our FY23 and FY24 normalised EBITDA forecasts by 5.4% and 6.3% respectively, principally on the back of the strong HY23 result and the likelihood PPE can deliver at the top end of their FY23 guidance range (Normalised EBITDA: \$62-66m).
- We retain an Add rating and increase our target price to \$4.90/sh. On our estimates, PPE trades on an attractive 8.8x FY23 P/E with a fully franked dividend yield of c.4.7%.

Result synopsis

- Company reaffirmed FY23 earnings guidance for normalised EBITDA of \$62m - \$66m, pointing to the upper end of the range, should current economic conditions continue.
- PPE delivered a strong HY23 result, exceeding both our expectations and the pcp. The result saw strong organic EBITDA growth of 11.8% exceeding management's longer-run target c.10% pa. HY23 organic revenue growth was 21.3%, pointing to some deterioration in like-for-like margins.
- PPE has now delivered 22.6% CAGR EPS growth since FY15, whilst also delivering an RoE of 25.9% for HY23.
- Revenue of \$596.6m outperformed our expectations (\$503.0m), however the business saw EBITDA margins reduce from 7.0% to 5.6%, principally the result of contributions from recently acquired lower margin businesses, driving the reduced beat at the EBITDA line (+5.2%).
- Increase in debt capacity to \$40m (previously \$30m) to fund future acquisitions, a function of increased target debt capacity from c.1.5x to 2.0x (bank covenants c.3.0x).

Analysis

- The implied 2HFY23 of c.\$33.5m reflects modest growth on 1HFY23 (\$32.5m) and should be achievable, given the strong performance of the 'health and community' division in Q2 vs Q1.
- The business continues to perform well, beating management's target for organic growth of c.10% pa (HY23: 11.8%). The EBITDA growth (vs pcp) of 50% was heavily influenced by the 2HFY22 acquisition of Perigon Group and FIP – both of which continue to exceed expectations.
- Company management restated their ambition for long-run organic growth of c.10% pa and restated their target EBITDA margin ambitions of c.7.0% - two factors which point to the runway of earnings growth ahead.
- There appears to be some initial signs of weakness in the IT/Tech recruiting business, with permanent recruitment declining from c.70% of the sub-division to c.60%. That said, the demand for contract IT labour continues.

Forecast earnings update

- We have increased our NPATA EPS estimates by 1.5% in FY23 and decreased 3.1% in FY24. This is mainly due to increased EBITDA being offset against higher depreciation and interest changes, along with additional shares on issue following recent acquisitions.

Investment view

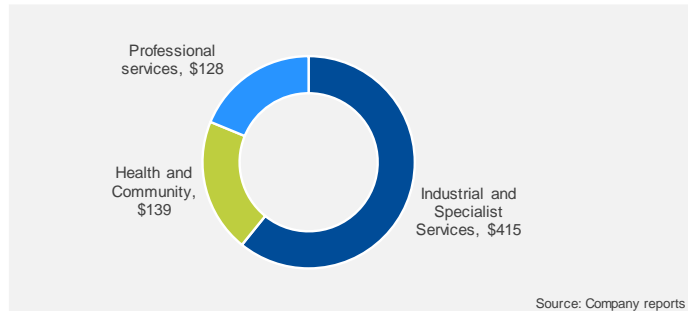
- We retain an Add rating, increasing our target price to \$4.90/sh (previously: \$4.70/sh).

PeopleIn

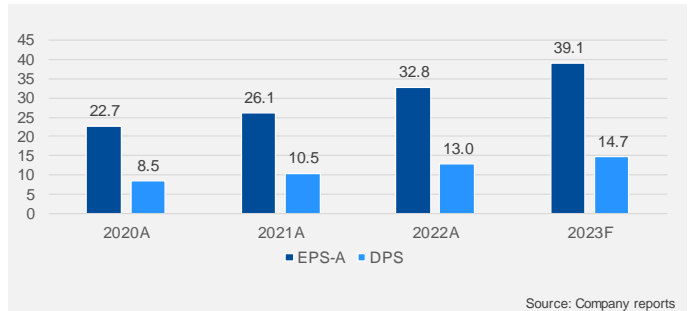
ADD		as at February 17, 2023	
Price (A\$):	3.06	12-month target price (A\$):	4.90
Market cap (A\$m):	309	Up/downside to target price (%):	60.1
Free float (%):	67.8	Dividend yield (%):	5.0
Index inclusion:	ALL ORDINARIES	12-month TSR (%):	65.1

People Infrastructure Ltd (PPE) is an Australian workforce management company that aims to deliver innovative solutions to the management of contracted workforces to Australian and New Zealand businesses. People Infrastructure provides contracted workforce and HR outsourcing services to enhance the HR function of its clients.

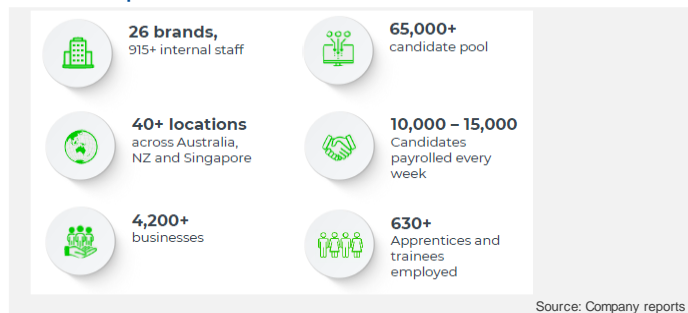
Revenue by segment (A\$m) - FY22



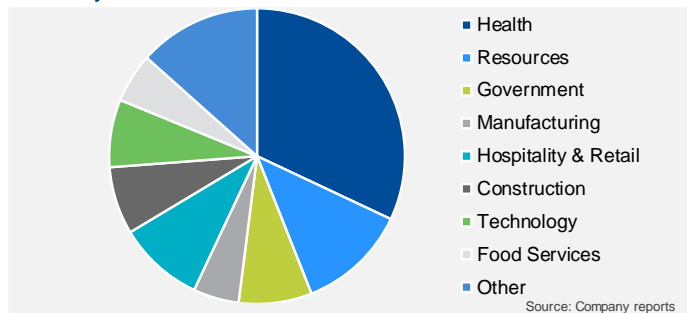
Historical EPS and DPS (cents)



Business snapshot



Sectors by GM contribution



Bull points

- History of deliveing strong eranings growth**
PPE has grown earnings at c.20% year-in year-out, with company guidance indicating FY23F EBITDA growth of 35%.
- Business continues to transition to more defensive sectors**
Management remain focused on making the business more defensive, capable of navigating any potential downturn.
- Growth opportunities remain**
The opportunity under the Pacific Australia Labour Mobility (PALM) scheme is significant, with the Federal Government committed to jobs growth and the role of increasing migration.



Bear points

- Employment market**
Labour market conditions have rarely been better in Australia, this raises the question, how will PPE navigate an economic downturn?
- Acquisitions**
PPE has c.\$40m of debt capacity to undertake further acquisitions. Whilst this is a source of future earnings growth, it would take them to their target gearing level.
- Migration and COVID risks**
Whilst out of the company's hands, changes to migration rules has a direct impact on PPE. Likewise, the Government's response to COVID, namely lockdowns, has an adverse impact on PPE.



Environmental, Social and Governance



Exposure

PPE align to the UN sustainability goals, with three key pillars of focus; 1) First Nations People (750+ First Nations candidates placed in FY22), 2) Sustainability (4.8m trees planted in FY22) and 3) equity and inclusion (female participation, PALM community and NDIS support).

Management

PPE complies with the ASX Corporate Governance Council's corporate governance principles and recommendations.

Source: Morgans

Figure 1: Financial summary

Profit and Loss						Valuation details						
	2021A	2022A	2023F	2024F	2025F					Target		
Sales	(\$m)	444.3	682.3	1,223.9	1,368.8	1,480.3	Market cap	309.1	PER	70.0%	4.86	
Other income	(\$m)	0.1	0.3	0.8	0.0	0.0	Shares on issue (basic)	101	DCF	30.0%	4.89	
Operating Costs	(\$m)	(406.3)	(634.7)	(1,157.1)	(1,293.3)	(1,398.6)	A\$ Share Price 3.06 A\$ Price Target 4.90					
EBITDA	(\$m)	38.1	47.9	67.6	75.5	81.6	Segment summary					
Depreciation	(\$m)	(2.6)	(4.6)	(8.5)	(10.7)	(8.9)	2021A	2022A	2023F	2024F	2025F	
EBITA	(\$m)	35.5	43.3	59.1	64.8	72.7	Revenue					
Amortisation	(\$m)	(4.1)	(6.5)	(9.2)	(9.4)	(10.6)	Industrial and Specialist Services (\$m)	251.2	415.0	889.4	978.3	1,057.6
EBIT	(\$m)	31.4	36.8	49.9	55.4	62.1	Health and Community (\$m)	132.7	139.2	158.0	173.8	187.9
Net Interest	(\$m)	(1.5)	(2.1)	(5.4)	(5.1)	(4.6)	Professional services (\$m)	60.4	128.2	175.0	192.4	208.1
Pre-tax Profit	(\$m)	29.8	34.6	44.4	50.3	57.5	Contingent income (\$m)	0.0	0.0	1.5	24.2	26.6
Tax	(\$m)	(9)	(8.4)	(12.0)	(15.1)	(17.3)	Unallocated (\$m)	0.0	0.0	0.0	0.0	0.0
Underlying NPAT (100%)	(\$m)	20.9	26.2	32.4	35.2	40.3	Underlying revenue (\$m)	444.3	682.3	1,223.9	1,368.8	1,480.3
Exceptional items	(\$m)	(3.2)	(7.8)	(6.2)	(5.5)	(5.4)	EBITDA					
Reported NPAT (100%)	(\$m)	17.7	18.4	26.2	29.7	34.8	Industrial and Specialist Services (\$m)	16.7	21.6	42.3	46.5	50.2
Non-controlling interests	(\$m)	(0.1)	(0.7)	(1.3)	(1.5)	(1.6)	Health and Community (\$m)	16.8	12.0	11.7	13.0	14.1
Underlying NPAT (equity)	(\$m)	20.9	25.5	31.1	33.8	38.7	Professional services (\$m)	8.3	17.6	16.8	18.7	20.2
Underlying NPATA (equity)	(\$m)	25.0	31.9	40.3	43.2	49.3	Contingent income (\$m)	0.0	0.0	0.2	1.4	1.5
Reported NPAT (equity)	(\$m)	17.7	17.7	24.9	28.3	33.2	Unallocated (\$m)	(3.7)	(3.3)	(3.5)	(4.1)	(4.4)
							Underlying EBITDA (100%) (\$m)	38.1	47.9	67.6	75.5	81.6
							Underlying EBITDA (Equity) (\$m)	38.0	47.2	66.3	74.0	80.0
Cashflow Statement						Per share data						
(\$m)	2021A	2022A	2023F	2024F	2025F							
EBITDA	(\$m)	38.1	47.9	67.6	75.5	81.6	Diluted shares on issue (Qty)	96.8	101.0	104.6	105.8	107.5
Net interest	(\$m)	(1.2)	(2.1)	(5.2)	(5.1)	(4.6)	Normalised EPS (equity NPAT) (Cps)	21.8	26.2	30.1	32.1	36.3
Tax	(\$m)	(11.2)	(13.9)	(10.2)	(15.1)	(17.3)	Normalised EPS (equity NPATA) (Cps)	26.1	32.8	39.1	41.0	46.2
Other	(\$m)	(0.1)	(0.7)	(1.3)	(1.5)	(1.6)	Dividends per share (Cps)	10.5	13.0	14.7	15.6	16.6
Changes in working capital	(\$m)	(17.7)	(9.0)	(16.0)	(8.4)	(6.9)	Reported payout ratio (%)	0.5	0.5	0.5	0.5	0.5
Operating cash flow	(\$m)	8.0	22.1	34.8	45.4	51.3	Key metrics/ multiples					
Capex - maintenance	(\$m)	(1.3)	(4.5)	(5.1)	(3.0)	(2.0)		2021A	2022A	2023F	2024F	2025F
Free Cash Flow	(\$m)	6.7	17.6	29.7	42.4	49.3	P/E (x)	14.1	11.7	10.2	9.5	8.4
Capex - growth	(\$m)	0.0	0.0	0.0	0.0	0.0	PEG (x)	0.6	0.5	1.1	0.7	0.7
Acquisitions	(\$m)	(22.0)	(49.8)	(12.8)	(14.8)	(9.4)	EV/EBIT (x)	10.7	10.4	7.8	6.9	5.9
Divestments	(\$m)	0.0	0.0	0.0	0.0	0.0	EV/EBITDA (x)	8.8	8.0	5.7	5.1	4.5
Other	(\$m)	0.0	(0.1)	(0.2)	0.0	0.0	Dividend Yield (%)	3.4	4.2	4.8	5.1	5.4
Investing cash flows	(\$m)	(23.3)	(54.3)	(18.0)	(17.8)	(11.4)	Growth ratios					
Increase / decrease in Equity	(\$m)	0.6	0.3	0.0	0.0	0.0		2021A	2022A	2023F	2024F	2025F
Increase / decrease in Debt	(\$m)	4.3	55.8	3.1	(6.4)	(26.6)	Sales (%)	19.7	53.6	79.4	11.8	8.1
Dividends paid	(\$m)	(7.1)	(10.6)	(13.7)	(16.0)	(17.3)	Operating costs (%)	17.6	56.2	82.3	11.8	8.1
Other financing cash flows	(\$m)	0.0	0.0	0.0	0.0	0.0	EBITDA (%)	33.1	25.6	41.1	11.7	8.1
Financing cash flows	(\$m)	(2.1)	45.6	(10.6)	(22.4)	(43.9)	EBIT (%)	42.3	17.2	35.5	11.2	12.1
Increase/decrease in cash	(\$m)	(17.4)	13.3	6.3	5.2	(4.0)	NPAT (%)	46.7	25.1	23.6	8.8	14.2
							EPS (%)	22.4	20.3	15.1	6.6	12.9
							DPS (%)	23.5	23.8	12.8	6.4	6.7
							Free cash flow (%)	(74.8)	164.2	69.2	42.5	16.3
Balance Sheet						Margin and return analysis						
	2021A	2022A	2023F	2024F	2025F		2021A	2022A	2023F	2024F	2025F	
Assets						EBITDA Margin (%)	8.6	7.0	5.5	5.5	5.5	
Cash	(\$m)	13.7	27.0	33.1	38.3	34.3	EBIT margin (%)	7.1	5.4	4.1	4.0	4.2
Debtors	(\$m)	76.0	107.5	138.6	154.0	166.5	NPAT margin (%)	4.7	3.8	2.6	2.6	2.7
Inventory	(\$m)	0.0	0.0	0.0	0.0	0.0	ROE (%)	19.8	20.4	21.1	20.3	20.8
Other current assets	(\$m)	1.7	12.2	15.6	15.6	15.6	ROIC (%)	19.4	14.6	15.4	15.8	17.1
Total Current Assets	(\$m)	91.4	146.7	187.4	207.9	216.4	Gearing					
Fixed Assets	(\$m)	9.1	15.8	27.9	23.3	19.3		2021A	2022A	2023F	2024F	2025F
Investments	(\$m)	0.0	0.1	0.0	0.0	0.0	Net Debt (incl leases) (\$)	33.2	84.6	98.6	89.9	70.3
Intangibles	(\$m)	116.9	202.0	203.7	209.2	208.0	Net Debt (excl leases) (\$)	25.2	71.4	74.6	69.4	53.4
Other non-current assets	(\$m)	0.0	0.2	0.5	0.5	0.5	Net Debt / Equity (%)	22.0	50.2	45.2	37.9	26.1
Total Non-Current Assets	(\$m)	126.0	218.1	232.3	233.0	227.9	Net Debt / EBITDA (x)	0.7	1.5	1.1	0.9	0.7
TOTAL ASSETS	(\$m)	217.4	364.8	419.6	440.9	444.3	EBIT interest cover (x)	20.4	17.1	9.2	10.9	13.5
Liabilities						Invested Capital (%)	139.9	213.7	239.7	252.3	257.7	
Short Term Debt	(\$m)	15.5	32.6	45.3	0.0	0.0	Enterprise Value (%)	336.8	383.1	387.8	383.0	367.3
Creditors	(\$m)	33.7	51.0	62.4	69.3	74.9	Result quality					
Other current liabilities	(\$m)	17.5	36.6	39.1	39.1	39.1		2021A	2022A	2023F	2024F	2025F
Total Current Liabilities	(\$m)	66.7	120.2	146.7	108.4	114.0	Cash flow conversion (%)	52.4	79.6	73.9	86.9	89.6
Long Term Debt	(\$m)	23.4	65.7	62.5	107.7	87.7	FCF vs NPAT (x)	0.4	1.0	1.1	1.4	1.4
Other Non current liabilities	(\$m)	12.6	36.5	45.3	41.9	38.3	Effective tax rate (%)	29.8	24.4	27.1	30.0	30.0
Total Non-Current liabilities	(\$m)	36.1	102.2	107.8	149.6	126.0						
TOTAL LIABILITIES	(\$m)	102.8	222.4	254.5	258.0	240.0						
Equity												
Issued capital	(\$m)	83.1	101.5	109.4	114.5	119.7						
Retained earnings	(\$m)	26.9	32.8	43.5	55.7	71.7						
Other reserves and FX	(\$m)	2.2	5.5	8.2	8.2	8.2						
Minority interests	(\$m)	2.4	2.6	4.1	4.5	4.8						
TOTAL EQUITY	(\$m)	114.6	142.4	165.1	182.9	204.3						

Source: Morgans estimates, company data

Earnings summary

PPE reported HY23 normalised EBITDA of \$32.5m, 5.2% above our forecast of \$30.9m, up 50% on the pcp. Normalised NPATA of \$20.8m, was 6.8% above our forecast, up 49.0% on the pcp.

Forward guidance

- Reaffirmed FY23 earnings guidance with normalised EBITDA of \$62m - \$66m. Based on the continuation of current economic conditions, expected to be at the upper end of guidance.
- Increase in debt capacity to \$40m (previously \$30m) to fund future acquisitions, a result of increasing target debt capacity from c.1.5x to 2.0x (bank covenants c.3.0x).

Group highlights

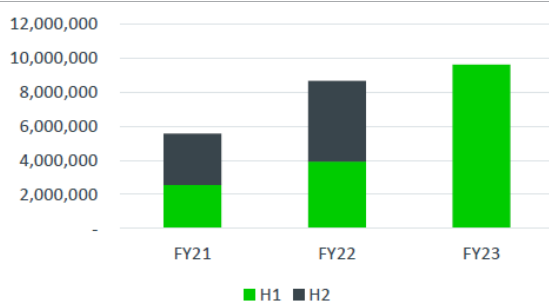
- **Group:** NPATA of \$20.8m was +6.8% above our expectations, up 49% on the pcp.
- **Group:** Despite a strong revenue beat (+18.6%), the lower than forecast margin resulted in a modest beat at the EBITDA line. The EBITDA margin of 5.6%, was lower than our expectations (6.2%), the result of the segmental mix. Notably, the company called out organic revenue growth of 21.3%, compared with organic EBITDA growth of 11.8% - pointing to the growth in lower margin channels / deterioration in like-for-like margins.
- **Gearing:** Net debt of \$71.4m reflects a modest 1.13x ND to normalised EBITDA. Now targeting gearing (post-acquisitions) of c.2.0x (previously 1.5x).
- **Other:** \$40m of spare debt capacity to undertake acquisitions, taking gearing to c.2.0x.
- **Other:** The strategic review continues.

Segmental analysis

Segmental performance was mixed vs our expectations, with higher revenues being offset by lower margins, a result of the acquisition of lower margin businesses during the prior period.

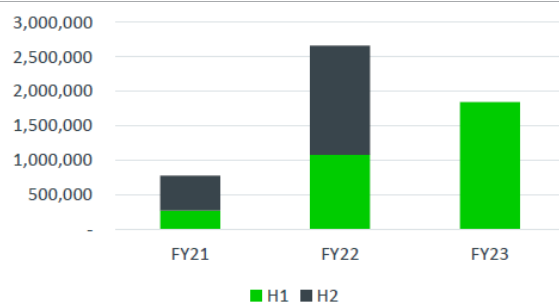
- **Industrial and Specialist Services (ISS):** ISS delivered a standout performance, with revenue of \$434.1m beating our forecasts by +27.2% and up 128% on the pcp. Margins were broadly in line with expectations, albeit lower than the pcp – a reflection of the contribution from the lower margin FIP business.

Figure 2: Billed Hours



Source: Morgans estimates, company data

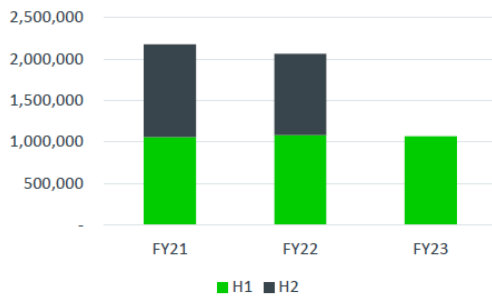
Figure 3: Placement Fees (\$)



Source: Morgans estimates, company data

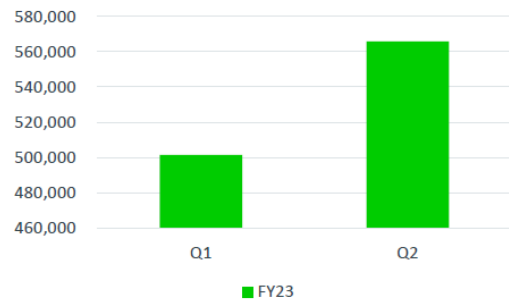
- **Health and Community (H&C):** The divisional performance was below our expectations at both the revenue line (-2.0%) and the EBITDA line (-16.9%). Revenue was likely impacted by slower visa times – Q2FY saw billed hours increase +13% on Q1FY23, which bodes well for 2HFY23.

Figure 4: H&C - Billed hours



Source: Morgans estimates, company data

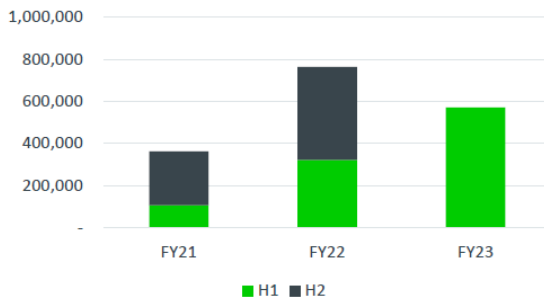
Figure 5: H&C - Billed Hours – Quarterly Performance



Source: Morgans estimates, company data

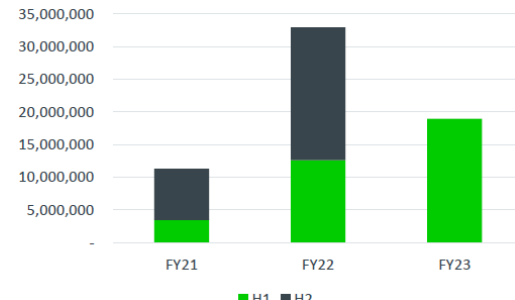
- **Professional services (PS):** The divisional performance was below expectations, a result of weaker margins. The company called out slower tech recruitment volumes, with the division transitioning from c.70/30 permanent/contract to c.60/40.

Figure 6: PS - Billed hours



Source: Morgans estimates, company data

Figure 7: PS - Placement fees (\$)



Source: Morgans estimates, company data

- **Corporate costs:** Corporate costs remained flat vs the pcp.

Figure 8: 1HFY23 earnings vs prior expectations

		1HFY23F	1HFY22A	1HFY23F		
		Announced	PCP	Morgans Est.	Chg (vs pcp)	Chg (vs Mf)
		(\$m)	(\$m)	(\$m)	(%)	(%)
Revenue						
Industrial and Specialist Services	(\$m)	434.1	190.3	341.2	128.1	27.2
Health and Community	(\$m)	77.1	71.5	78.7	7.8	(2.0)
Professional services	(\$m)	85.4	54.0	83.2	58.2	2.7
Contingent income	(\$m)	0.0	0.0	0.0	n.a	n.a
Unallocated	(\$m)	0.0	0.0	0.0		
Underlying revenue	(\$m)	596.6	315.8	503.0	88.9	18.6
EBITDA						
Industrial and Specialist Services	(\$m)	20.7	9.9	15.9	109.4	29.7
Health and Community	(\$m)	5.7	6.3	6.9	(9.7)	(16.9)
Professional services	(\$m)	8.2	7.3	10.4	13.0	(21.4)
Contingent income	(\$m)	0.0	0.0	0.0	n.a	n.a
Unallocated	(\$m)	(1.5)	(1.5)	(2.0)	(2.8)	(27.0)
EBITDA (underlying)	(\$m)	33.2	22.0	31.3	50.9	6.0
EBITDA (underlying equity)	(\$m)	32.5	21.6	30.9	50.5	5.2
EBITDA (margin)						
Industrial and Specialist Services	(%)	4.8	5.2	4.7		
Health and Community	(%)	7.4	8.9	8.8		
Professional services	(%)	9.6	13.5	12.6		
Contingent income	(%)					
Unallocated	(%)					
Total EBITDA (margin)	(%)	5.6	7.0	6.2		
Profit and Loss						
Sales	(\$m)	596.6	315.8	503.0	88.9	18.6
EBITDA	(\$m)	33.1	22.0	31.3	50.8	5.9
Margin	(%)	5.6	7.0	6.2		
EBITA	(\$m)	29.6	19.9	28.6	48.3	3.3
Margin	(%)	5.0	6.3	5.7		
EBIT	(\$m)	25.0	16.9	24.6	47.6	1.7
Margin	(%)	4.2	5.4	4.9		
Underlying NPAT (100%)	(\$m)	16.8	11.3	15.4	48.6	9.0
Margin	(%)	2.8	3.6	3.1		
Reported NPAT (100%)	(\$m)	14.4	4.6	15.8	210.4	(9.1)
Non-controlling interests	(\$m)	(0.6)	(0.4)	(0.4)		
Reported NPAT (equity)	(\$m)					
Underlying NPATA (equity)	(\$m)	20.8	13.9	19.5	49.0	6.8
Underlying NPAT (equity)	(\$m)	16.2	10.9	15.4	48.1	5.0
Reported NPAT (equity)	(\$m)	13.8	4.3	15.8	223.2	(12.9)
Per share data						
Diluted shares on issue	(Qty)	101.0	97.9	102.2	3.2	(1.2)
Normalised EPS (equity NPATA)	(Cps)	32.8	14.4	19.2	127.3	71.4
Normalised EPS (equity NPAT)	(Cps)	26.2	11.3	15.2	131.2	72.5
Dividends per share	(Cps)	13.0	6.5	7.0	100.0	85.7
Net Debt (incl leases)	(\$)	84.6	39.0	94.5	116.6	(10.5)
Net Debt (excl leases)	(\$)	71.4	29.2	95.1	144.2	(24.9)

Source: Morgans estimates, company data

Earnings forecasts

Figure 9: Earnings forecasts

Segment summary		2022A	1HFY23A	2HFY23F	2023F	1HFY24F	2HFY24F	2024F	2023F chg on pcp	2024F chg on pcp
		(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(%)	(%)
Revenue										
Industrial and Specialist Services	(\$m)	415.0	434.1	455.3	889.4	477.5	500.8	978.3	114.3	10.0
Health and Community	(\$m)	139.2	77.1	80.9	158.0	84.8	89.0	173.8	13.6	10.0
Professional services	(\$m)	128.2	85.4	89.6	175.0	93.9	98.5	192.4	36.5	10.0
Contingent income	(\$m)	0.0	0.0	1.5	1.5	12.0	12.2	24.2	n.a	1,533.8
Unallocated	(\$m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(66.4)	(100.0)
Underlying revenue	(\$m)	682.3	596.6	627.2	1,223.9	668.3	700.5	1,368.8	79.4	11.8
EBITDA										
Industrial and Specialist Services	(\$m)	21.6	20.7	21.6	42.3	22.7	23.8	46.5	95.8	9.8
Health and Community	(\$m)	12.0	5.7	6.0	11.7	6.4	6.7	13.0	(2.0)	11.3
Professional services	(\$m)	17.6	8.2	8.6	16.8	9.1	9.6	18.7	(4.8)	11.1
Contingent income	(\$m)	0.0	0.0	0.2	0.2	0.7	0.7	1.4	n.a	551.9
Unallocated	(\$m)	(3.3)	(1.5)	(2.0)	(3.5)	(2.0)	(2.1)	(4.1)	4.0	18.4
EBITDA (underlying)	(\$m)	47.9	33.2	34.4	67.6	36.8	38.6	75.5	41.1	11.7
EBITDA (underlying equity)	(\$m)	47.2	32.5	33.7	66.3	36.1	37.9	74.0	40.5	11.7
Per share data										
Shares on issue (end) (Diluted)	(Qty)	101.0	103.7	104.6	104.6	105.4	106.2	105.8	3.5	1.2
NPATA (underlying) - equity	(CPS)	32.8	20.2	18.7	39.1	19.8	21.2	41.0	19.0	5.0
NPAT (underlying) - equity	(CPS)	26.2	15.7	14.3	30.1	15.4	16.7	32.1	15.1	6.6
Distributions	(CPS)	13.0	7.0	7.5	14.7	7.5	8.0	15.6	12.8	6.4
Payout ratio	(%)	49.6	44.4	52.6	48.6	48.8	47.9	48.6	(2.0)	(0.2)
Profit and Loss										
		(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	2023F chg on pcp	2024F chg on pcp
Sales	(\$m)	682.3	596.6	627.2	1,223.9	668.3	700.5	1,368.8	79.4	12.0
EBITDA	(\$m)	47.9	33.1	34.4	67.6	36.8	38.6	75.5	41.1	11.2
EBITA	(\$m)	43.3	29.6	29.5	59.1	31.4	33.5	64.8	36.6	6.0
EBIT	(\$m)	36.8	25.0	24.9	49.9	26.7	28.7	55.4	35.5	7.0
Underlying NPAT (100%)	(\$m)	26.2	16.8	15.0	31.8	16.8	17.9	34.6	21.4	(0.1)
Reported NPAT (100%)	(\$m)	18.4	14.4	11.3	25.6	14.0	15.1	29.1	39.3	(2.4)
Underlying NPAT (equity)	(\$m)	17.7	13.7	10.6	24.3	13.3	14.4	27.7	37.6	(3.0)
Underlying NPATA (equity)	(\$m)	31.9	20.8	19.5	40.3	20.8	22.4	43.2	26.1	(0.1)
Reported NPAT (equity)	(\$m)	17.7	13.8	11.1	24.9	13.4	14.9	28.3	40.8	(2.9)
Diluted shares on issue	(Qty)	101.0	103.7	104.6	104.6	105.4	106.2	105.8	3.5	1.6
Normalised EPS (equity NPAT)	(Cps)	26.2	15.7	14.3	30.1	15.4	16.7	32.1	15.1	(2.4)
Normalised EPS (equity NPATA)	(Cps)	32.8	20.2	18.7	39.1	19.8	21.2	41.0	19.0	(2.2)
Dividends per share	(Cps)	13.0	7.0	7.5	14.7	7.5	8.0	15.6	12.8	7.1

Source: Morgans estimates, company data

Earnings changes

In adjusting our forecasts, we have made the more notable changes:

- We have revised our margin assumptions to be broadly in line with those achieved during HY23, principally reflecting the lower margins being realised across the 'industrial and specialist services (ISS)' and 'professional services (PS)' divisions, following the acquisition of lower margin businesses in the case of ISS, and the reduction in higher margin recruitment business in the case of PS.
- In reviewing our PER valuation, we have adjusted our adopted EPS to reflect NPATA less share based payments. We have also updated the index multiple.
- A number of our WACC assumptions have been adjusted to reflect a higher risk free rate (3.6% vs prior 3.0%).

Figure 10: Valuation summary

ASX:PPE	2022A			2023F			2024F		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
EBITDA									
Industrial and Specialist Services (\$m)	21.6	21.6	0.0	32.4	42.3	30.4	34.7	46.5	33.8
Health and Community (\$m)	12.0	12.0	0.0	13.4	11.7	(12.6)	14.0	13.0	(6.8)
Professional services (\$m)	17.6	17.6	0.0	21.4	16.8	(21.4)	23.4	18.7	(20.1)
Contingent income (\$m)	0.0	0.0	n.a	0.4	0.2	(50)	2.8	1.4	(50.8)
Unallocated (\$m)	(3.3)	(3.3)	0.0	(4.0)	(3.5)	(13.5)	(4.4)	(4.1)	(7.5)
EBITDA (underlying) (\$m)	47.9	47.9	0.0	63.6	67.6	6.2	70.5	75.5	7.1
EBITDA (underlying equity) (\$m)	47.2	47.2	0.0	62.9	66.3	5.4	69.7	74.0	6.3
Profit and Loss									
Sales (\$m)	682	682	0.0	1,020	1,224	20	1,137	1,369	20.4
EBITDA (\$m)	47.9	47.9	0.0	63.6	67.6	6.2	70.5	75.5	7.1
Margin (%)	7.0	7.0		6.2	5.5		6.2	5.5	
EBITA (\$m)	43.3	43.3	0.0	58.3	59.1	1.3	65.1	64.8	(0.4)
Margin (%)	6.3	6.3		5.7	4.8		5.7	4.7	
EBIT (\$m)	36.8	36.8	0.0	50.0	49.9	(0.3)	56.5	55.4	(1.8)
Margin (%)	5.4	5.4		4.9	4.1		5.0	4.0	
Underlying NPAT (100%) (\$m)	26.2	26.2	0.0	31.5	31.8	1.1	35.2	34.6	(1.5)
Margin (%)	3.8	3.8		3.1	2.6		3.1	2.5	
Underlying NPATA (equity) (\$m)	31.9	31.9	0.0	39.7	40.3	1.4	43.7	43.2	(1.2)
Underlying NPAT (equity) (\$m)	25.5	25.5	0.0	31.4	31.1	(1.1)	35.1	33.8	(3.7)
Reported NPAT (equity) (\$m)	17.7	17.7	0.0	31.7	24.9	(21.5)	34.8	28.3	(18.9)
Per share data									
Diluted shares on issue (Qty)	101.0	101.0	0.0	102.2	104.6	2.3	102.2	105.8	3.5
Normalised EPS (equity NPATA) (Cps)	32.8	32.8	0.0	39.1	39.1	0.1	42.7	41.0	(4.0)
Normalised EPS (equity NPAT) (Cps)	26.2	26.2	0.0	30.9	30.1	(2.5)	34.3	32.1	(6.4)
Dividends per share (Cps)	13.0	13.0	0.0	14.6	14.7	0.5	15.5	15.6	0.6

Source: Morgans estimates, company data

Valuation

In adjusting our valuation, we have updated our earnings forecasts and our market multiples. The 4.3% increase to our valuation is primarily a function of the increased earnings multiple, whilst improved EBITDA was offset against a lower adopted EPS (including share based payments).

Figure 11: Valuation summary

Enterprise value	(\$m)	576.9					
Net debt (incl leases)	(\$m)	(84.6)					
Non-controlling interests	(\$m)	(2.6)					
Equity value	(\$m)	495.0					
Shares on issue (end) (Diluted)	(,000)	101.0					
Valuation	(\$m)	4.90					
Dividend yield	(%)	4.8					
Capital growth	(%)	60.1					
Total shareholder return	(%)	64.9					
			2021A	2022A	2023F	2024F	2025F
EV/EBITDA	(x)		15.1	12.0	8.5	7.6	7.1
EV/EBITA	(x)		17.0	13.9	9.9	8.7	8.1
EV/EBIT	(x)		18.4	15.7	11.6	10.4	9.3
PER (EQ NPATA SBP)	(x)		19.6	16.8	14.0	13.1	11.5
PER (underlying equity NPATA)	(x)		18.8	14.9	12.5	11.9	10.6
PER (underlying equity NPAT)	(x)		22.5	18.7	16.3	15.3	13.5
PEG	(x)		0.7	0.8	2.5	1.0	1.5
Dividend Yield	(%)		2.1	2.7	3.0	3.2	3.4
Free cash flow yield	(%)		1.3	3.7	5.8	8.2	9.4

Source: Morgans estimates, company data

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