

# PeopleIn Limited

## Haircut

PPE has reported a softer result, with underlying EBITDA of \$55.8m missing our expectations by 8%, translating to an 11% miss at the EPS line. A slowing permanent recruitment market in technology and financial services, combined with a delayed recovery in international health worker numbers contributed to the underperformance. The softness during the second half is likely to carry forward into the first half of FY24e, with the company cycling tough comps from strong technology recruitment conditions late in 2022. The shining light within the result was operating cash flow and a strong contribution from the Food Industry People (FIP) acquisition. Regulatory noise (and action) within the PALM scheme provides an opportunity for FIP to grow share and also start to build head count in adjacent sectors. We see FIP earnings higher in FY24e. Net debt/EBITDA (including leases) is likely to peak this half, with steady deleveraging to follow as free cash flows rise. The balance sheet position may restrict PPE's capacity to make sizable acquisitions in the short term. Ultimately the company is exposed to favourable and growing employment sectors, with a likely steady earnings base in FY24e. Our EPS forecasts conservatively reduce by 27% in FY24e. DCF based price target falls to \$2.89 (from \$3.86). With the stock trading at a material discount to the 5-year average and global peers, we retain a BUY rating.

### FY24e EPS revisions

- FY24e EBITDA revisions mainly within the professional services and health/community sectors, reflecting the 2H23 run-rate, plus a modest level of growth. With the higher gearing level, we have revised our EPS forecasts by -27% in FY24e. We now expect a -7.9% EPS decline in FY24e.

### Where to from here?

- Next catalysts: AGM commentary, organic growth profile in FIP and broader conditions in the labour market.

### Price target revision to \$2.89 (from \$3.86)

- PPE trades on a forward P/E ratio of 8.2x, representing a 36% discount to global peers and a 52% discount to the 5-year trading average.

Year-end June (\$)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (\$m)	682.3	1,186.3	1,238.8	1,311.2	1,382.2
EBITDA (\$m)	43.8	55.8	54.2	60.7	64.1
EBIT (\$m)	38.8	47.7	44.9	50.9	53.6
Reported NPAT (\$m)	18.4	20.6	21.5	26.2	28.5
Reported EPS (c)	19.4	20.4	21.1	25.8	28.1
Normalised NPAT (\$m)	25.7	29.0	26.9	31.7	34.0
Normalised EPS (c)	27.0	28.8	26.5	31.2	33.5
EPS Growth (%)	9.4	6.7	(7.9)	17.5	7.4
Dividend (c)	13.0	14.0	14.0	15.0	16.0
Net Yield (%)	6.0	6.4	6.4	6.9	7.3
Franking (%)	100	100	100	100	100
EV/EBITDA (X)	6.8	5.3	5.6	4.9	4.5
Normalised P/E (x)	8.1	7.6	8.2	7.0	6.5
Normalised ROE (%)	20.0	19.2	16.5	18.3	18.3

Source: OML, Iress, PeopleIn Limited

### Last Price

**A\$2.18**

### Target Price

**A\$2.89** (Previously A\$3.86)

### Recommendation

**Buy**

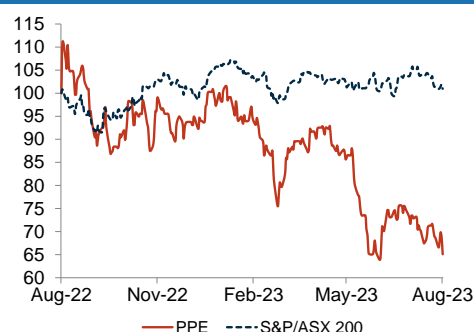
### Risk

**Higher**

### Human Resource and Employment Service

ASX Code	PPE
52 Week Range (\$)	2.14 - 3.72
Market Cap (\$m)	221.4
Shares Outstanding (m)	101.6
Av Daily Turnover (\$m)	1.8
3 Month Total Return (%)	-24.3
12 Month Total Return (%)	-34.9
Benchmark 12 Month Return (%)	1.0
NTA FY24E (¢ per share)	-42.0
Net Debt FY24E (\$m)	80.9

### Relative Price Performance



Source: FactSet

### Consensus Earnings

	FY24E	FY25E
NPAT (C) (\$m)	34.3	37.6
NPAT (OM) (\$m)	26.9	31.7
EPS (C) (c)	33.5	36.6
EPS (OM) (c)	26.5	31.2

Source: OML, Iress, PeopleIn Limited

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## Key takeaways and outlook

- FY24 outlook is cautious:** Second half EBITDA fell by 14% relative to the first half, noting that the first half included a cyclically high point in recruitment for technology and industrial sectors. Outlooks for global peers have been mixed for the June quarter, with broadly softer recruitment trends in the permanent market. We have taken a more cautious approach to forecast PPEs segments exposed to the technology and financial services sectors. FY24e EBITDA revises downwards by 16% and EPS(A) by 27%.
- Health and community likely to catch up:** 2H EBITDA declined by 36% on the pcp, with the inflow of health professionals delayed largely by visa processing and immigration timing. The number of international workers brought onshore increased during 2H and we see health as a more supportive vertical into FY24e as these staff are settled and deployed.
- Food Industry People (FIP) acquisition performing strongly despite regulatory risk:** EBITDA margins within FIP increased during the second half. We believe that the acquisition is performing strongly and is well placed to grow its share of the PALM scheme on the basis of scale, advanced regulatory processes and skew to non-horticultural sectors.

## Forecast changes

Figure 1: FY24e EPS ↓27%, FY25e EPS ↓19%

	FY24e			change			FY25e			change			FY26e			change		
	old	new	%	old	new	%	old	new	%	old	new	%	old	new	%			
<b>revenue- segments \$m</b>																		
Industrial & Specialist*	967	922	-5%	1,029	984	-4%	1,054	1044	-1%									
Health & Community*	162	154	-5%	168	159	-5%	174	165	-5%									
Technology*	167	163	-2%	172	168	-2%	177	173	-2%									
<b>revenue- total</b>	<b>1296</b>	<b>1239</b>	<b>-4%</b>	<b>1368</b>	<b>1311</b>	<b>-4%</b>	<b>1405</b>	<b>1382</b>	<b>-2%</b>									
<b>EBITDA- segments \$m</b>																		
Industrial & Specialist*	44.3	41.8	-6%	46.6	44.2	-5%	47.7	46.3	-3%									
Health & Community*	13.2	7.7	-42%	13.7	11.0	-20%	14.1	11.4	-19%									
Technology*	17.6	13.9	-21%	18.1	15.1	-16%	18.7	16.3	-13%									
unallocated	-5.1	-4.7	-8%	-5.4	-5.0	-6%	-5.5	-5.4	-2%									
<b>EBITDA - pre SBP "PPE"</b>	<b>70.0</b>	<b>58.7</b>	<b>-16%</b>	<b>73.0</b>	<b>65.2</b>	<b>-11%</b>	<b>75.0</b>	<b>68.6</b>	<b>-9%</b>									
share based payments	-3.1	-4.5	45%	-3.1	-4.5	45%	-3.1	-4.5	45%									
<b>EBITDA- underlying</b>	<b>66.9</b>	<b>54.2</b>	<b>-19%</b>	<b>69.9</b>	<b>60.7</b>	<b>-13%</b>	<b>71.9</b>	<b>64.1</b>	<b>-11%</b>									
EBITDA margin %	5.4%	4.7%	-12%	5.3%	5.0%	-7%	5.3%	5.0%	-7%									
<b>Key P&amp;L metrics \$m</b>																		
D&A- underlying	-9.1	-9.2	-2%	-9.7	-9.8	-2%	-10.2	-10.4	-2%									
EBITA	59.6	46.6	-22%	62.4	52.8	-15%	64.0	55.8	-13%									
EBIT	57.8	44.9	-22%	60.3	50.9	-16%	61.6	53.6	-13%									
net interest	-5.7	-6.4	-13%	-4.9	-5.7	-15%	-4.5	-5.0	-12%									
PBT - underlying	52.1	38.5	-26%	55.3	45.2	-18%	57.1	48.6	-15%									
NPATA - underlying**	36.5	26.9	-26%	38.7	31.7	-18%	40.0	34.0	-15%									
<b>EPS (cents): EPS-A**</b>	<b>36.3</b>	<b>26.5</b>	<b>-27%</b>	<b>38.5</b>	<b>31.2</b>	<b>-19%</b>	<b>39.8</b>	<b>33.5</b>	<b>-16%</b>									
D&A - reported	-16.9	-17.1	-1%	-17.5	-17.7	-1%	-18.1	-18.3	-1%									
Amortisation - abnormal	-7.8	-7.8	0%	-7.8	-7.8	0%	-7.8	-7.8	0%									
Abnormals - pre-tax	0.0	0.0	na	0.0	0.0	na	0.0	0.0	na									
reported NPAT	31.0	21.5	-31%	33.2	26.2	-21%	34.5	28.5	-17%									
dividend (cents)	15.0	14.0	-7%	16.0	15.0	-6%	16.5	16.0	-3%									
payout % cash EPS	41%	53%	11%	42%	48%	7%	42%	48%	6%									
<b>Key metrics \$m</b>																		
operating cash flow	44.4	38.0	-14%	47.2	40.7	-14%	50.8	43.7	-14%									
net capex & leases	-10.7	-19.2	-79%	-10.0	-17.7	-78%	-10.3	-18.4	-78%									
acquisitions (incl earn outs)	-12.6	-12.6	0%	-5.5	-5.5	0%	0.0	0.0	na									
free cash flow (post tax)	21.1	6.2	-70%	31.7	17.5	-45%	40.5	25.3	-38%									
net debt (cash)	62.1	53.2	-14%	45.5	49.8	10%	21.1	39.6	88%									
Net debt/EBITDA (with leases)	0.9x	1.5x	61%	0.7x	1.3x	96%	0.3x	1.0x	257%									
ROE %	21%	16%	-21%	20%	18%	-9%	19%	18%	-4%									
EV/EBITDA x	4.7	5.6	18%	4.3	4.9	15%	3.8	4.5	18%									
EV/EBIT x	5.5	6.7	23%	5.0	5.9	18%	4.5	5.4	20%									
<b>P/E x</b>	<b>6.6</b>	<b>8.2</b>	<b>24%</b>	<b>6.2</b>	<b>7.0</b>	<b>12%</b>	<b>6.0</b>	<b>6.5</b>	<b>8%</b>									

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

Source: Ord Minnett Research

## FY23 result highlights

- **Revenue:** \$1.18b (+74%). Revenue growth was driven by a full 12-month contribution of the Food Industry People (FIP) acquisition. 14.0 cent fully franked dividend was in line with expectations.
- **EBITDA:** Underlying EBITDA of \$55.8m (+27%), missed our expectations by 8%. Ords adjusted NPATA rose by 13% on the pcp, missing forecasts by -11%.
- **Cash Flow:** The cash flow performance was very strong, with reported operating cash flows of \$64.4m, beating our expectations by 44% with a positive working capital movement.
- **Industrial & Specialist Services:** Revenues of \$872m (+110%) and EBITDA \$41.1m (+90%) vs Ords \$41.3m EBITDA.
- **Professional Services:** Revenues of \$166.4m (+30%) and EBITDA of \$15.0m (-15%) versus Ords \$15.6m EBITDA.
- **Health and Community:** Revenues of \$147.4m (+6%) and EBITDA of \$9.3m (-22%) versus Ords \$11.5m EBITDA.

Figure 2: FY23 result versus expectations

PeopleIn (PPE)	actual	actual	actual	actual	actual	actual	FY vs. FY	Ords	beat
HY 31 Dec / YE 30 June	1H22	2H22	FY22	1H23	2H23	FY23	%	FY23e	(miss)
<b>revenue- segments \$m</b>									
Industrial & Specialist	190.3	224.7	415.0	434.1	438.4	<b>872.5</b>	110%	907.1	-4%
Health & Community	71.5	67.6	139.2	77.1	70.3	<b>147.4</b>	6%	155.7	-5%
Technology	54.0	74.2	128.2	85.4	81.0	<b>166.4</b>	30%	160.6	4%
other	0.3	-0.3	0.0	0.7	-0.7	0.0	0%	0.0	na
revenue- total	316.1	366.2	682.3	597.3	589.1	<b>1186.4</b>	74%	1223.4	-3%
<b>EBITDA- segments \$m</b>									
Industrial & Specialist	9.9	11.7	21.6	20.7	20.4	<b>41.1</b>	90%	41.3	0%
Health & Community	6.3	5.6	12.0	5.7	3.6	<b>9.3</b>	-22%	11.5	-19%
Technology	7.3	10.4	17.6	8.2	6.8	<b>15.0</b>	-15%	15.6	-4%
corporate costs (ex abnormals)	-1.9	-2.2	-4.1	-2.1	-2.2	<b>-4.3</b>	7%	-4.7	-8%
<b>EBITDA - pre SBP "PPE"</b>	<b>21.6</b>	<b>25.6</b>	<b>47.2</b>	<b>32.5</b>	<b>28.6</b>	<b>61.1</b>	30%	63.7	-4%
share based payments	-1.4	-1.9	-3.3	-2.6	-2.7	<b>-5.3</b>	59%	-3.1	73%
<b>EBITDA- underlying "OML"</b>	<b>20.2</b>	<b>23.7</b>	<b>43.8</b>	<b>29.9</b>	<b>25.8</b>	<b>55.8</b>	27%	60.6	-8%
EBITDA margins	6.8%	7.0%	6.9%	5.4%	4.9%	5.1%	-1.8%	5.2%	0%
<b>Key P&amp;L metrics \$m</b>									
D&A- underlying	-2.2	-2.8	-5.0	-4.1	-3.9	<b>-8.1</b>	60%	-8.4	-4%
EBIT	17.9	20.9	38.8	25.8	21.9	<b>47.7</b>	23%	52.2	-9%
Net Interest	-1.0	-1.1	-2.1	-2.8	-3.5	<b>-6.2</b>	191%	-6.1	3%
NPATA - underlying OML**	11.8	13.8	25.7	16.1	12.9	<b>29.0</b>	13%	32.3	-10%
EPS (cents): underlying EPS-A**	12.6	14.4	27.0	16.1	12.7	<b>28.8</b>	7%	32.4	-11%
Contract amortisation-reported	-2.8	-3.3	-6.1	-4.0	-4.9	<b>-8.9</b>	47%	-7.8	14%
abnormals pre-tax	-5.6	2.6	-3.0	0.9	-4.1	<b>-3.2</b>	7%	-0.5	na
NPAT- statutory	4.3	14.1	18.4	14.4	6.2	<b>20.6</b>	12%	26.5	-22%
Dividend (cents)	6.5	6.5	13.0	7.0	7.0	<b>14.0</b>	8%	14.0	0%
payout % cash NPAT	52%	45%	48%	44%	55%	<b>49%</b>	1%	43%	5%
<b>Key metrics \$m</b>									
operating cash flow	11.1	10.9	22.0	19.5	44.8	<b>64.4</b>	192%	38.9	65%
Net capex (incl M&A)	-8.9	-49.0	-57.9	-13.7	-20.0	<b>-33.7</b>	-42%	-24.5	38%
free cash flow	2.2	-38.1	-35.9	5.8	24.9	<b>30.7</b>	-186%	14.5	112%
net debt (cash) incl IRU's	39.0	71.4	71.4	71.5	73.2	<b>73.2</b>	3%	82.3	-11%
ROE %	16.9%	20.0%	20.0%	20.6%	19.2%	<b>19.2%</b>	-4%	20.9%	-2%

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

Source: Ord Minnett Research

## Valuation

### \$2.89 valuation (from \$3.86)

- We value PPE adopting a DCF methodology with a weighted average cost of capital of 11.3% (from 11.2%), cost of equity of 13.1% (from 12.8%) and terminal growth rate of 3% (no change). The revised DCF valuation is \$2.89 per share (from \$3.86 per share).
- PPE trades on a price/earnings ratio of 8.2x and an EV/EBIT ratio of 6.7x in FY24e. These represent a 36% and 22% discount to the peer set respectively. PPE is currently trading at a 52% discount versus its 5-year P/E average of 17.1x.

## Peer analysis

Figure 3: Peer valuation multiples

Company	Mkt cap A\$m	EV A\$m	Price / Earnings			EV/ EBITDA			EV / Sales		Return on equity		EV / EBIT	
			FY22	FY23	FY24	FY22	FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24
APM Group	1,623	2,506	9.4	10.2	8.5	8.2	7.1	6.0	1.3	1.1	9.2	11.3	11.6	9.5
Nisso Corp	285	222	16.0	17.1	11.6	7.8	7.8	4.8	0.2	0.2	29.2	15.0	9.2	6.1
Creek & River Co Ltd	508	423	20.9	17.6	14.9	na	na	8.0	0.9	0.8	19.9	19.9	9.9	8.7
Persol Holdings Co	6,028	6,151	19.3	17.4	15.5	8.5	8.3	7.5	0.5	0.4	16.8	18.1	10.6	10.4
JAC Recruitment	6,028	6,151	19.3	17.4	15.5	8.5	8.3	7.5	0.5	0.4	16.8	18.1	10.6	10.4
WDB Holdings Co	430	234	9.4	11.6	10.6	na	na	na	0.5	0.4	12.4	12.4	4.3	4.0
Hays PLC	3,194	3,191	11.8	12.5	13.1	5.7	6.2	6.5	0.2	0.2	18.9	18.1	8.2	8.8
Page Group	2,931	2,942	10.4	15.7	13.2	5.8	7.6	6.8	0.8	0.7	27.1	31.7	11.3	9.3
Stthree PLC	953	870	9.0	9.3	8.5	4.8	4.8	4.3	0.3	0.3	23.8	23.0	6.2	5.4
Robert Walters	551	564	6.9	11.9	8.4	3.7	5.2	4.1	0.3	0.2	12.0	16.4	8.9	6.1
AMN Healthcare Services	5,197	6,795	7.7	10.8	12.8	5.2	7.5	8.6	1.1	1.3	25.4	21.8	11.0	13.3
Kforce Inc	4,297	3,546	8.4	10.3	13.4	3.9	4.6	5.5	0.8	0.8	na	na	6.0	7.4
Brunel International NV	1,053	1,089	17.3	13.8	11.2	8.3	7.0	6.0	0.5	0.4	14.4	16.4	9.3	7.6
Recruit Holdings	85,924	78,715	25.8	26.9	25.2	15.3	15.0	14.1	2.1	2.2	19.0	16.9	20.1	18.8
Amadeus Fire AG	1,026	1,155	14.5	12.8	12.0	7.4	6.8	6.4	1.6	1.4	24.0	22.1	9.0	8.4
<b>Average</b>			<b>14.0</b>	<b>14.4</b>	<b>13.0</b>	<b>7.1</b>	<b>7.4</b>	<b>6.9</b>	<b>0.8</b>	<b>0.7</b>	<b>19.2</b>	<b>18.6</b>	<b>9.7</b>	<b>8.9</b>
<b>Median</b>			<b>13.1</b>	<b>12.8</b>	<b>12.8</b>	<b>6.6</b>	<b>7.2</b>	<b>6.5</b>	<b>0.5</b>	<b>0.4</b>	<b>19.0</b>	<b>18.1</b>	<b>9.2</b>	<b>8.6</b>
<b>PeopleIn</b>	<b>229</b>	<b>307</b>	<b>8.1</b>	<b>7.6</b>	<b>8.2</b>	<b>6.8</b>	<b>5.3</b>	<b>5.6</b>	<b>0.2</b>	<b>0.2</b>	<b>18.2</b>	<b>17.5</b>	<b>6.2</b>	<b>6.7</b>

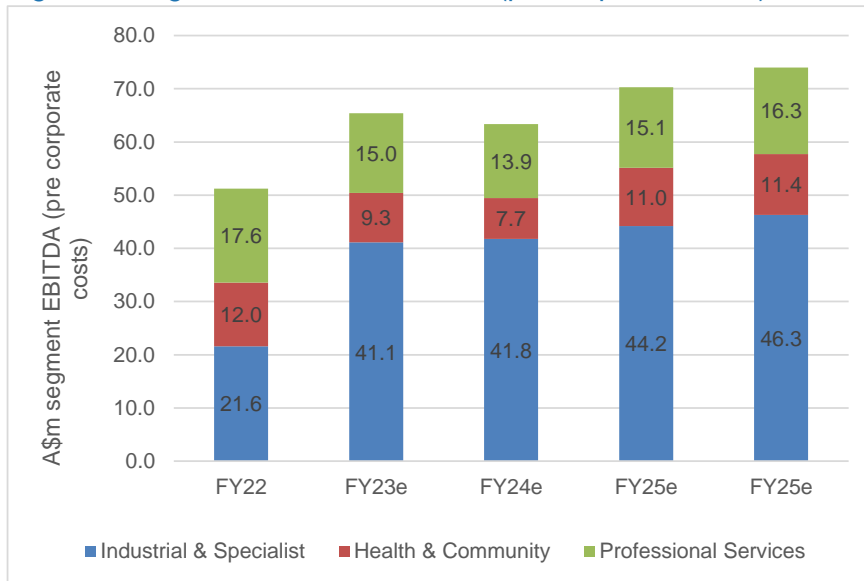
Source: Ord Minnett Research, Bloomberg

## Investment thesis

PeopleIn has considerable exposure to the defensive healthcare and fast-growing technology recruitment sectors, which are forecast to grow faster than GDP annually to at least 2026, driven by population growth and demographic changes. PPE's acquisition strategy since listing has taken the brand portfolio to 26 in total whilst still delivering ~10% organic earnings growth since the 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. PPE's strong return on equity and higher forecast free cash flows suggest the acquisition strategy has delivered positive returns post-integration.

## Key forecasts

Figure 4: Segment EBITDA forecasts (pre corporate costs)

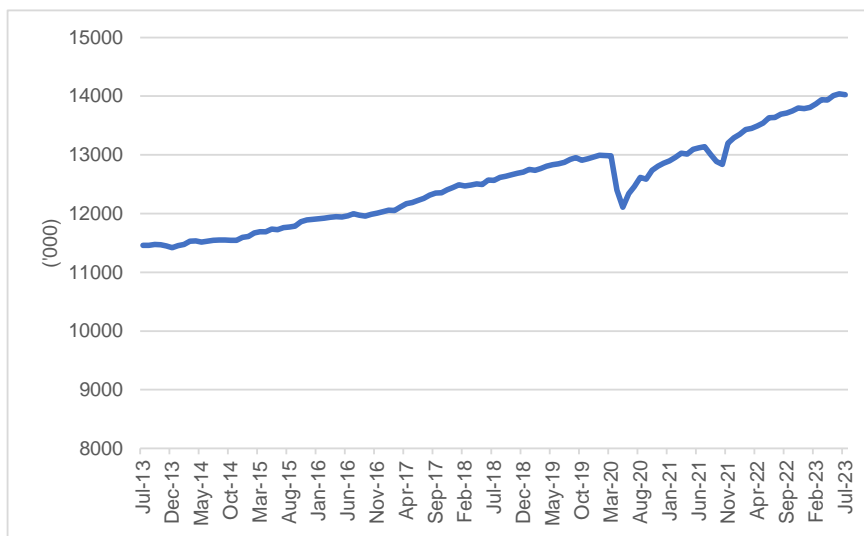


Source: Ord Minnett Research

## Industry conditions

- The domestic jobs market has softened slightly, however remains resilient, with over 14 million individuals employed at the end of July 2023. The Australian unemployment rate has risen slightly to 3.7% from the July 2022 low of 3.4% yet remains well below the five-year average (4.9%).

Figure 5: Total employed individuals ('000) – seasonally adjusted



Source: Ord Minnett Research, ABS

## Overview

PeopleIn is a workforce solutions company providing services to over 4,000 clients across the public and private sectors. PeopleIn operates across three business divisions 1.) Health and Community 2.) Industrial and Specialist Services 3.) Professional Services. Services include sourcing, skilling, deployment, and managing workforce staff across permanent employees and contract hires. Since listing in 2017, PPE has grown its recruitment network to 26 brands that collectively provide payroll for 10,000-15,000 candidates weekly. PeopleIn employs over 850 internal staff and has a national presence.

## Key risks

- **Changing employment conditions:** PPE's core business relies on the ongoing demand for labour. Economic conditions in segments including technology, financial services and industrial may impact our financial forecasts.
- **Regulatory risk:** PPE's exposure to more unionised and politically sensitive sectors increases the risk of industrial action impacting the company's operations. Changes to government legislation relating to the PALM scheme may affect the business. However, given the barriers to entry in compliance, panel positions, systems and scale, the more regulated environment may benefit PPE's competitive positioning.
- **Margin outlook:** EBITDA margins for the group declined to 4.8% during the second half (from 5.4% during 1H23). PPE's margins are sensitive to economic conditions and the company's ability to manage cost pressures and utilise staff.

**PeopleIn Limited**

<b>PROFIT &amp; LOSS (A\$m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Revenue	682.3	1,186.3	1,238.8	1,311.2	1,382.2
Operating costs	(638.5)	(1,130.6)	(1,184.6)	(1,250.4)	(1,318.2)
<b>Operating EBITDA</b>	<b>43.8</b>	<b>55.8</b>	<b>54.2</b>	<b>60.7</b>	<b>64.1</b>
D&A	(5.0)	(8.1)	(9.2)	(9.8)	(10.4)
<b>EBIT</b>	<b>38.8</b>	<b>47.7</b>	<b>44.9</b>	<b>50.9</b>	<b>53.6</b>
Net interest	(2.1)	(6.2)	(6.4)	(5.7)	(5.0)
<b>Pre-tax profit</b>	<b>36.7</b>	<b>41.5</b>	<b>38.5</b>	<b>45.2</b>	<b>48.6</b>
Net tax (expense) / benefit	(11.0)	(12.4)	(11.5)	(13.6)	(14.6)
<b>Normalised NPAT</b>	<b>25.7</b>	<b>29.0</b>	<b>26.9</b>	<b>31.7</b>	<b>34.0</b>
<b>Reported NPAT</b>	<b>18.4</b>	<b>20.6</b>	<b>21.5</b>	<b>26.2</b>	<b>28.5</b>
Normalised dil. EPS (cps)	27.0	28.8	26.5	31.2	33.5
Reported EPS (cps)	19.4	20.4	21.1	25.8	28.1
Effective tax rate (%)	28.4	28.4	28.4	28.4	28.4
DPS (cps)	13.0	14.0	14.0	15.0	16.0
Dividend yield (%)	6.0	6.4	6.4	6.9	7.3
Payout ratio (%)	48.1	48.6	52.8	48.1	47.8
Franking (%)	100.0	100.0	100.0	100.0	100.0
Diluted # of shares (m)	101.1	103.6	103.9	103.9	103.9

<b>CASH FLOW (A\$m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
EBITDA incl. adjustments	49.9	56.6	54.2	60.7	64.1
Change in working capital	(22.6)	11.2	(0.6)	(3.2)	(3.1)
Net Interest (paid)/received	(2.1)	(6.2)	(6.4)	(5.7)	(5.0)
Income tax paid	(13.9)	(9.8)	(9.2)	(11.2)	(12.2)
Other operating items	10.8	12.6	-	-	-
<b>Operating Cash Flow</b>	<b>22.0</b>	<b>64.4</b>	<b>38.0</b>	<b>40.7</b>	<b>43.7</b>
Capex	(4.5)	(9.1)	(6.0)	(4.0)	(4.1)
Acquisitions	(50.0)	(12.2)	-	-	-
Other investing items	0.0	-	(12.6)	(5.5)	-
<b>Investing Cash Flow</b>	<b>(54.3)</b>	<b>(21.0)</b>	<b>(18.4)</b>	<b>(9.3)</b>	<b>(3.9)</b>
Inc/(Dec) in borrowings	59.4	(12.9)	(15.0)	(10.0)	(10.0)
Dividends paid	(10.6)	(4.9)	(14.1)	(14.2)	(15.2)
Other financing items	(3.6)	(12.7)	(13.2)	(13.7)	(14.3)
<b>Financing Cash Flow</b>	<b>45.6</b>	<b>(30.5)</b>	<b>(42.3)</b>	<b>(37.9)</b>	<b>(39.5)</b>
Net Inc/(Dec) in Cash	13.2	12.9	(22.7)	(6.6)	0.2

<b>BALANCE SHEET (A\$m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Cash	27.0	39.9	17.2	10.6	10.8
Receivables	115.8	120.3	129.0	136.5	143.9
Inventory	-	-	-	-	-
Other current assets	3.9	3.5	3.5	3.5	3.5
PP & E	15.8	29.8	37.4	45.2	53.3
Investments	-	-	-	-	-
Intangibles	202.0	203.2	210.0	207.6	199.4
Other non-current assets	0.3	0.3	0.3	0.3	0.3
<b>Total Assets</b>	<b>364.8</b>	<b>396.9</b>	<b>397.3</b>	<b>403.6</b>	<b>411.2</b>
Short term debt	32.6	27.9	27.9	27.9	27.9
Payables	51.0	66.6	74.7	79.0	83.3
Other current liabilities	36.6	45.2	45.2	45.2	45.2
Long term debt	65.7	57.5	42.5	32.5	22.5
Other non-current liabilities	36.5	39.6	39.6	39.6	39.6
<b>Total Liabilities</b>	<b>222.4</b>	<b>236.9</b>	<b>229.9</b>	<b>224.3</b>	<b>218.6</b>
<b>Total Equity</b>	<b>142.3</b>	<b>160.0</b>	<b>167.4</b>	<b>179.3</b>	<b>192.6</b>
Net debt (cash)	84.5	73.2	80.9	77.4	67.2

**Buy**

<b>DIVISIONS</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>KEY METRICS (%)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Revenue growth	53.5	73.9	4.4	5.8	5.4
EBITDA growth	18.7	27.3	(2.9)	12.1	5.4
EBIT growth	14.6	23.0	(5.8)	13.3	5.3
Normalised EPS growth	9.4	6.7	(7.9)	17.5	7.4
EBITDA margin	6.4	4.7	4.4	4.6	4.6
EBIT margin	5.7	4.0	3.6	3.9	3.9
Return on assets	9.5	9.0	8.1	9.1	9.4
Return on equity	20.0	19.2	16.5	18.3	18.3

<b>VALUATION RATIOS (x)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Reported P/E	11.3	10.7	10.3	8.5	7.8
Normalised P/E	8.1	7.6	8.2	7.0	6.5
Price To Free Cash Flow	14.8	5.2	11.8	9.7	8.8
Price To NTA	-	-	-	-	-
EV / EBITDA	6.8	5.3	5.6	4.9	4.5
EV / EBIT	7.7	6.2	6.7	5.9	5.4

<b>LEVERAGE</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
ND / (ND + Equity) (%)	37.3	31.4	32.6	30.2	25.9
Net Debt / EBITDA (%)	192.9	131.2	149.2	127.5	104.9
EBIT Interest Cover (x)	18.1	7.6	7.0	9.0	10.6
EBITDA Interest Cover (x)	20.4	8.9	8.4	10.7	12.7

<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 (%)	13.1
Cost of debt (after tax) (%)	4.3
D / EV (%)	(21.0)
<b>WACC (%)</b>	<b>11.3</b>

Forecast cash flow (\$m)	117.7
Terminal value (\$m)	174.8
Enterprise Value (\$m)	292.6
<b>Equity NPV Per Share (\$)</b>	<b>2.89</b>

Target Price Method	DCF
Target Price (\$)	2.89
Valuation disc. / (prem.) to share price (%)	32.6

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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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