

31 October 2022

PeopleIn Limited (PPE)

BUY

Share Price: **A\$3.29**

Strategy sound, guidance reiterated

Target Price: **A\$5.55**

We believe PPE's strategic initiatives built around people, clients, innovation, and shared values position the company well to achieve 10% organic growth over the next three years, improve the EBITDA margin toward 7% and increase the proportion of government work to 20%. With guidance reiterated, trading conditions robust and a management team executing well, we continue to see upside in PPE. Reiterate BUY.

Key takeaways from strategy day

- PPE's FY23-25 growth strategy is underpinned by initiatives across all three verticals – Industrial & Specialist Services (ISS), Healthcare & Community and Professional Services.
- The initiatives cover the areas of: People – attracting, developing and retaining top talent; Clients – winning more work through upskilling, cross selling and client management; Innovation – delivering efficient and sustainable business performance; and Shared Values across people, clients, investors and communities.
- We were impressed with the quality of the management team across the group with cultural alignment from recent acquisitions also coming through clearly.
- In terms of the near term outlook, we believe that trading conditions are currently excellent in Professional Services (both Halcyon Knights and Perigon), strong in ISS and slowly improving in Healthcare & Community.

Guidance reiterated

- Separately, PPE reiterated earnings guidance for FY23 EBITDA of \$62m-\$66m. We remain comfortable at the top end of the range at \$65.8m given the apparent strength in current trading conditions.
- Data from the National Skills Commission highlights that 31% of occupations are currently in shortage (up from 19% in 2021) and that professionals (including IT), healthcare and trade workers are all experiencing particularly high demand.
- Federal budget initiatives such as increasing visa processing capacity, investment in aged care through expanded migration programs (including the PALM scheme) and committing to NDIS funding and investing should also prove beneficial to PPE in reducing labour supply bottlenecks.

Investment view

- With PPE trading on a FY23 PER of 8.2x and a fully franked dividend yield of 4.9%, we continue to see significant upside in the share price.
- We reiterate our Buy recommendation.

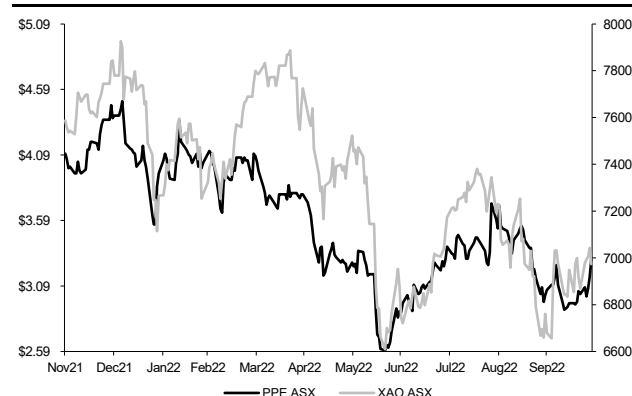
Company Data

Shares – ordinary (M)	100.8
Dilution (M)	2.7
Total (fully diluted) (M)	103.5
Market capitalisation (\$M)	331.7
12 month low/high (\$)	2.49/ 4.55
Average monthly turnover (\$M)	18.4
GICS Industry	Professional Services

Financial Summary (fully diluted/normalised)

Year end June	FY21A	FY22A	FY23F	FY24F	FY25F
Revenue (\$M)	429.7	679.2	1078.1	1164.4	1240.1
Costs (\$M)	-391.6	-632.2	-1012.4	-1092.0	-1159.8
EBITDA (\$M)	38.0	47.0	65.8	72.4	80.3
NPATA (\$M)	25.0	31.2	41.7	46.6	52.6
EPS (¢ps)	26.1	32.0	40.3	44.6	50.1
EPS Growth (%)	14%	23%	26%	11%	12%
PER (x)	12.6	10.3	8.2	7.4	6.6
Free Cashflow (\$M)	6.3	17.6	32.0	42.6	49.0
FCFPS (¢ps)	6.2	17.4	31.8	42.2	48.6
P/FCFPS (x)	52.8	18.9	10.4	7.8	6.8
EV (\$M)	365.0	416.3	403.4	387.2	363.7
EV / EBITDA (x)	9.6	8.9	6.1	5.3	4.5
Payout ratio (%)	40%	41%	40%	42%	47%
Dividends (¢ps)	10.5	13.0	16.0	18.5	20.5
Yield (%)	3.2%	4.0%	4.9%	5.6%	6.2%
Franking (%)	100%	100%	100%	100%	100%

PPE – performance over one year



Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document. The analyst preparing this report has a beneficial interest in 4,000 shares in this company. He declares that no part of this holding will be traded within the next 2 weeks and has not been traded in the last 2 weeks.

Ken Wagner
+61 2 9239 9642

Analysis

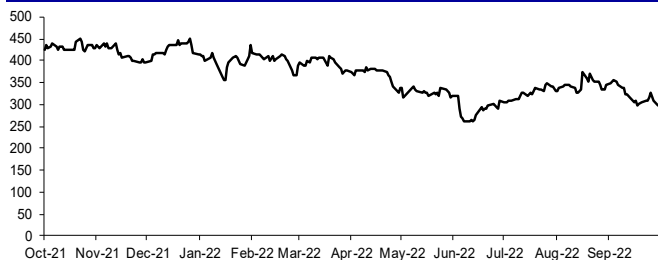
PeopleIn Limited

Year end 30 June

MARKET DATA

Recommendation		Buy
Price	\$	3.29
Target price (12-month)	\$	5.55
52 week low / high	\$	2.49 / 4.55
Market capitalisation	\$m	331.7
Shares on issue (basic)	no.	100.8
Options / rights	no.	2.7
Other equity	no.	0.0
Shares on issue (diluted)	no.	103.5

12-MONTH SHARE PRICE PERFORMANCE



INVESTMENT FUNDAMENTALS

	FY21A	FY22A	FY23F	FY24F	FY25F
NPAT (reported)	\$m 17.7	17.7	34.5	39.4	45.4
NPATA (pro forma)	\$m 25.0	31.2	41.7	46.6	52.6
EPS (Reported, undiluted)	¢ 19.3	18.6	34.2	38.7	44.4
EPS (NPATA PF, diluted)	¢ 26.1	32.0	40.3	44.6	50.1
Growth	% 14%	23%	26%	11%	12%
PER normalised	x 12.6	10.3	8.2	7.4	6.6
Operating cash flow per share	¢ 7.5	21.9	38.2	49.1	55.3
Free cash flow per share	¢ 6.2	17.4	31.8	42.2	48.6
Price to free cash flow per share	x 52.8	18.9	10.4	7.8	6.8
FCF yield	% 1.9	5.3	9.7	12.8	14.8
Dividend	¢ 10.5	13.0	16.0	18.5	20.5
Payout	% 40	41	40	42	41
Yield	% 3.2%	4.0%	4.9%	5.6%	6.2%
Franking	% 100.0	100.0	100.0	100.0	100.0
Enterprise value	\$m 365.0	416.3	403.4	387.2	363.7
EV/EBITDA	x 9.6	8.9	6.1	5.3	4.5
EV/EBIT	x 11.7	11.6	7.6	6.5	5.3
Price to book (NAV)	x 2.9	2.3	2.0	1.7	1.5
Price to NTA	x na	na	na	280.0	10.8

KEY RATIOS

	FY21A	FY22A	FY23F	FY24F	FY25F
EBITDA margin	% 8.9	6.9	6.1	6.2	6.5
EBIT margin	% 7.3	5.3	4.9	5.2	5.5
NPAT margin	% 5.8	4.6	3.9	4.0	4.2
ROE	% 21.8	21.9	25.0	24.0	24.0
ROA	% 11.5	8.6	10.6	11.9	13.4
Net debt / (cash)	\$m 25.2	71.4	57.3	40.1	15.8
Interest cover (EBIT / Net interest)	x 23.0	19.7	18.6	22.5	32.1
Leverage (Net debt / EBITDA)	x 0.7	1.5	0.9	0.6	0.2
Gearing (ND / (ND+E))	% 18%	33%	26%	17%	7%

DUPONT ANALYSIS

	FY21A	FY22A	FY23F	FY24F	FY25F
Net Profit Margin	% 5.8	4.6	3.9	4.0	4.2
Asset Turnover	x 2.0	1.9	2.8	3.0	3.2
Return on Assets	% 11.5	8.6	10.6	11.9	13.4
Financial Leverage	x 1.9	2.6	2.3	2.0	1.8
Return on Equity	% 21.8	21.9	25.0	24.0	24.0

GROWTH PROFILE

	FY21A	FY22A	FY23F	FY24F	FY25F
Revenue	% 19.6	58.1	58.7	8.0	6.5
EBITDA	% 44.1	23.4	40.1	10.1	10.9
EBIT	% 43.1	14.5	48.3	12.9	13.6
NPATA	% 36.0	24.9	33.5	11.8	13.0
EPS (NPATA PF, diluted)	% 13.8	22.7	26.0	10.6	12.4

PROFIT AND LOSS (PF)

	FY21A	FY22A	FY23F	FY24F	FY25F
Revenue	\$m 429.7	679.2	1,078.1	1,164.4	1,240.1
EBITDA	\$m 38.0	47.0	65.8	72.4	80.3
Depreciation & amortisation	\$m 6.7	11.1	12.6	12.4	12.1
EBIT	\$m 31.3	35.9	53.2	60.0	68.2
Net interest	\$m (1.5)	(2.1)	(3.3)	(3.0)	(2.3)
Pretax Profit	\$m 29.8	33.7	49.9	57.0	65.9
Tax expense	\$m (8.9)	(8.4)	(15.0)	(17.1)	(19.7)
NPAT (pro forma)	\$m 20.9	24.7	34.5	39.4	45.4
Amortisation add-back	\$m 4.1	6.5	7.2	7.2	7.2
NPATA	\$m 25.0	31.2	41.7	46.6	52.6
Significant items	\$m (3.1)	(7.1)	0.0	0.0	0.0
Reported NPAT	\$m 17.7	17.7	34.5	39.4	45.4

BALANCE SHEET

	FY21A	FY22A	FY23F	FY24F	FY25F
Cash	\$m 13.7	27.0	20.7	14.4	8.9
Receivables	\$m 76.0	107.5	150.9	163.0	173.6
Inventory	\$m 0.0	0.0	0.0	0.0	0.0
Other	\$m 1.7	12.2	8.0	8.6	9.2
Current	\$m 91.4	146.7	179.6	186.0	191.7
Prop, plant & equip	\$m 9.1	15.8	14.4	13.4	12.3
Intangibles	\$m 116.9	202.0	197.3	192.8	188.5
Other	\$m 0.0	0.2	0.0	0.0	0.0
Non current	\$m 126.0	218.1	211.8	206.3	200.9
Total assets	\$m 217.4	364.8	391.4	392.3	392.6
Accounts Payable	\$m 33.7	51.0	86.3	93.2	99.2
Borrowings	\$m 39.0	98.4	78.0	54.5	24.7
Lease liabilities	\$m 8.0	13.2	14.4	15.4	16.2
Other	\$m 22.1	60.0	46.0	35.3	33.4
Total liabilities	\$m 102.8	222.4	224.6	198.3	173.4
Shareholder's equity	\$m 114.6	142.4	166.8	194.0	219.1

CASH FLOW

	FY21A	FY22A	FY23F	FY24F	FY25F
EBITDA	\$m 38.0	47.0	65.8	72.4	80.3
Change in working capital	\$m (17.8)	(5.5)	(8.1)	(5.2)	(4.5)
Net interest	\$m (1.5)	(2.1)	(3.3)	(3.0)	(2.3)
Tax paid	\$m (11.2)	(13.9)	(15.0)	(17.1)	(19.7)
Other	\$m 0.2	(3.3)	(0.9)	2.3	2.0
Operating cash flow	\$m 7.6	22.1	38.5	49.5	55.7
Capex	\$m (0.8)	(2.4)	(4.0)	(4.2)	(3.8)
Acquisitions	\$m (22.0)	(49.6)	(10.0)	(10.0)	(4.0)
Purchase of intangibles	\$m (0.5)	(2.1)	(2.5)	(2.7)	(2.9)
Investing cash flow	\$m (23.3)	(54.3)	(16.5)	(16.9)	(10.7)
Equity issuance	\$m 0.6	0.3	0.0	0.0	0.0
Change in financial liabilities	\$m 4.3	55.8	(19.2)	(22.5)	(29.0)
Dividends / other	\$m (7.1)	(10.6)	(9.1)	(16.4)	(21.6)
Financing cash flow	\$m (2.1)	45.6	(28.3)	(38.9)	(50.5)
Net cash flow	\$m (17.8)	13.3	(6.3)	(6.3)	(5.5)
Free cash flow	\$m 6.3	17.6	32.0	42.6	49.0

Source: Petra Capital



Petra Capital
Level 17, 14 Martin Place, Sydney NSW 2000

ABN 95 110 952 782
ACN 110 952 782
AFSL 317 944

Director:	George Marias	+61 (0)2 9239 9601	gmarias@petracapital.com.au
Research (Resources):	Brett McKay	+61 (0)2 9239 9605	bmckay@petracapital.com.au
Research (Resources):	Hugh Stackpool	+61 (0)2 9239 9625	hstackpool@petracapital.com.au
Research (Resources):	David Brennan	+61 (0)2 9239 9630	dbrennan@petracapital.com.au
Research (Resources):	Andrew Harrington	+61 (0)2 9239 9614	aharrington@petracapital.com.au
Research (Resources):	Kieran Barratt	+61 (0)2 9239 9610	kbarratt@petracapital.com.au
Research (Resources):	Colin McLelland	+61 (0)2 9239 9639	cmcllland@petracapital.com.au
Research (Resources):	Craig Campbel	+61 (0)402 135 410	ccampbell@petracapital.com.au
Research (Industrials):	Sam Haddad	+61 (0)2 9239 9633	shaddad@petracapital.com.au
Research (Industrials):	Ken Wagner	+61 (0)2 9239 9642	kwagner@petracapital.com.au
Research (Industrials):	Daniel Ireland	+61 (0)2 9239 9647	direland@petracapital.com.au
Research (Industrials):	Mark Yarwood	+61 (0)2 9239 9646	myarwood@petracapital.com.au
Research (Healthcare):	Tanushree Jain	+61 (0)2 9239 9649	tjain@petracapital.com.au
Sales:	Frank Barila	+61 (0)2 9239 9603	fbarila@petracapital.com.au
Sales:	Vincent Pisani	+61 (0)2 9239 9617	vpisani@petracapital.com.au
Sales:	Peter Veldhuizen	+61 (0)2 9239 9609	pveldhuizen@petracapital.com.au
Sales:	Neil Watson	+61 (0)2 9239 9602	nwatson@petracapital.com.au
Sales:	Leigh Gardner	+61 (0)2 9239 9620	lgardner@petracapital.com.au
Sales:	Vince Barila	+61 (0)2 9239 9627	vbarila@petracapital.com.au
Sales:	Colin Redmond	+61 (0)2 9239 9613	credmond@petracapital.com.au
Sales:	Richard Macphillamy	+61 (0)2 9239 9604	rmacphillamy@petracapital.com.au
Sales:	Paul Doherty	+61 (0)407 194 549	pdoherly@petracapital.com.au
Sales:	Tyrone Lara	+61 (0)2 9239 9608	tlara@petracapital.com.au
Sales:	Vince Musumeci	+61 (0)2 9239 9606	vmusumeci@petracapital.com.au
Sales:	Andrew Richards	+61 (0)2 9239 9638	arichards@petracapital.com.au
Sales:	Rob Dobson	+61 (0)2 9239 9628	rdobson@petracapital.com.au
Sales:	Denise Wong	+61 (0)2 9239 9650	dwong@petracapital.com.au
Corporate (ECM):	Verity Barritt	+61 (0)2 9239 9622	vbarritt@petracapital.com.au
Administration:	Belinda Teichmann	+61 (0)2 9239 9636	bteichmann@petracapital.com.au
Administration:	Joanne Condopoulos	+61 (0)2 9239 9635	jcondopoulos@petracapital.com.au
Administration:	Victoria Smith	+61 (0)2 9239 9616	vsmith@petracapital.com.au
Administration:	Katya Beidar	+61 (0)2 9239 9645	kbeidar@petracapital.com.au
Administration:	Lacinda Browne	+61 (0)2 9239 9624	lbrowne@petracapital.com.au
Administration:	Larissa Falvo	+61 (0)2 9239 9611	lfalvo@petracapital.com.au
Administration:	Emma Pagalday	+61 (0)2 9239 9621	epagalday@petracapital.com.au
Legal & Compliance:	Danielle Smith	+61 (0)2 9239 9612	dsmith@petracapital.com.au
Financials:	Tony Christelis	+61 (0)2 9239 9615	tchristelis@petracapital.com.au

Disclosure

This document has been prepared in Australia by Petra Capital Pty Ltd which holds an Australian Financial Services License AFSL 317 944. Petra Capital Pty Ltd is an ASX and Chi-X Market Participant. Petra Capital Pty Ltd and its associates, officers, directors, employees and agents, from time to time, may receive brokerage, commissions, fees or other benefits or advantages, hold securities in companies researched by Petra Capital Pty Ltd and may trade in these securities either as principal or agent. The analyst preparing this report has a beneficial interest in 4,000 shares in this company. He declares that no part of this holding will be traded within the next 2 weeks and has not been traded in the last 2 weeks.

Disclaimer

The information or advice contained in this report has been obtained from sources that were accurate at the time of issue, however the information has not been independently verified and as such, Petra Capital Pty Ltd cannot warrant its accuracy or reliability. Persons relying on this information do so at their own risk. To the extent permitted by law, Petra Capital Pty Ltd disclaims all liability or responsibility for any direct or indirect loss or damage (including consequential loss or damage) caused by any error or omission within this report, or by persons relying on the contents of this report.

This report is published by Petra Capital Pty Ltd by way of general information or advice only. This report does not take into account specific investment needs or other considerations that may be pertinent to individual investors. Before making any investment decisions based on this report, parties should consider, with or without an investor adviser, whether any relevant part of this report is appropriate to their financial circumstances and investment objectives. Petra Capital Pty Ltd is a licensed institutional/wholesale stockbroking firm. The report is only intended for institutional and sophisticated clients to whom Petra Capital Pty Ltd has issued the report. Petra Capital Pty Ltd is not licensed to advise retail investors – retail investors should contact their own stockbroker or financial adviser/planner for advice.

Ratings

Information regarding the scope and expertise of our research services, processes for selection for coverage, and the management of conflicts of interest can be found on Petra Capital's website at <http://www.petracapital.com.au/research-disclosures>. Petra Capital uses the following ratings system and definitions: Buy - Forecast to re-rate by more than 5% in 12 months; Hold - Forecast to perform up to 5% above or below the current market price in 12 months, or alternatively, where a share price exceeds Petra Capital's valuation but there is a belief that business growth opportunities or commodity price moves, may result in material valuation and share price upside within 12 months; Sell - Forecast to underperform by more than 5% in 12 months; Speculative Buy - Speculative Investment; Take Profits - Recommend taking short term profits in a stock we remain fundamentally positive on a medium term view; Accept Offer - For a company under takeover where we see the offer as a fair price with low risk of a competing offer; No Rating - No rating at this time.

US Investors

This material is intended for use in the US only by major US Institutional Investors, as that term is defined by the SEC Rule 15a-6. Transactions with US Institutional Investors and major US Institutional Investors, as those terms are defined by SEC Rule 15a-6, are chaperoned by Global Alliance Securities, LLC, ("Global Alliance"), a SEC-registered broker-dealer and FINRA member (web: www.globalalliancesecurities.com) in accordance with the agreement between Global Alliance and Petra Capital Pty Ltd. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified. Therefore, its accuracy is not guaranteed. Additional and supporting information is available upon request. This is not an offer or solicitation of an offer to buy or sell any security or to make any investment. Any opinion or estimate constitutes the preparer's best judgement as of the date of preparation and is subject to change without notice. Petra Capital Pty Ltd or Global Alliance and their associates or affiliates, and their respective officers, directors and employees may buy or sell securities mentioned herein as agent or principal for their own account.

Other International

International investors are encouraged to contact their local regulatory authorities to determine whether restrictions apply in buying/selling this investment.